

TAIWAN CHELIC CO., LTD.

Parent Company Only Financial
Statements and Independent
Auditors' Report
2024 and 2023

(For the convenience of readers and for information purpose only, the auditors' report and accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.)

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Independent Auditors' Report

To TAIWAN CHELIC CO., LTD.:

Audit opinion

We have audited the individual balance sheet of TAIWAN CHELIC CO., LTD. as of December 31, 2024 and 2023, and the individual statement of comprehensive income, individual statement of changes in equity, individual statement of cash flows for the period from January 1 through December 31, 2024 and 2023, as well as the notes to the individual financial statements (including the summary of significant accounting policies).

In our opinion, based on our audit, the accompanying individual financial statements present fairly, in all material respects, the financial position of Taiwan Chelic Co., Ltd. as of December 31, 2024 and 2023, and its individual financial performance and individual cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Audit Opinion

We conducted our entrusted audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We were independent of CHELIC in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and fulfilled all other responsibilities thereunder. Based on our audits, 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 CHELIC's Parent Company Only Financial Statements of 2024. These matters were addressed in the context of our audit of the Parent Company Only Financial

Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Below is a summary of the key audit matters of CHELIC's 2024 Parent Company Only Financial Statements:

Key Audit Matters

CHELIC has a wider customer base and is mainly engaged in production and sale of "pneumatic components". Considering marketplace competition and the obligation to fulfill shareholders' and external investors' expectations, the management should be facing the pressure to achieve the operating revenue targets. Given so, we believe that the authenticity of sales revenue from customers who constitute a relatively high proportion of sales and whose individual change in sales is greater than the average change in sales will materially impact the financial statements, so we identify the said customers as the key audit matter. For the accounting policy for the recognition of relevant revenue, please refer to Note 4 (11) of the Parent Company Only Financial Statements; for the operating revenue related information, please refer to note 19 of the Parent Company Only Financial Statements.

Our audit procedures include the following:

1. Understand and test the effectiveness of the design and implementation of the internal control system intended to control sales revenue of the above-mentioned customers.
2. Sample the details of sale to the above-mentioned customers, e.g., original order, external supporting documents, and payment collection, and check them for the authenticity of the sales transaction.

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

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

During preparation of these Parent Company Only Financial Statements, the management was also responsible for evaluating CHELIC's ability to continue as a going concern, disclosing going concern matters, and applying the going concern basis of accounting, unless the management intended either to liquidate CHELIC or to terminate its operations, or had no feasible alternatives but to do so.

CHELIC's governance body (including the Audit Committee) was responsible for

supervising the financial reporting procedures.

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

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

We exercise professional judgment and maintain professional skepticism when carrying out the audit in accordance with the auditing standards. We also:

1. Identify and assess the risks of material misstatement of the Parent Company Only Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CHELIC'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 CHELIC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause CHELIC to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the Parent Company Only Financial Statements (including relevant notes), and whether the Parent Company Only Financial Statements fairly represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within CHELIC to express an opinion on the Parent Company Only Financial Statements. We are responsible for the direction, supervision, and execution of the audit of CHELIC. 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 under The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and communicate to 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 CHELIC's 2024 Parent Company Only Financial Statements and are therefore the key audit matters. We describe these matters in our 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.

Deloitte & Touche Taiwan

CPA: Chao-Mei Chen

CPA: Cheng-Chuan Yu

Approval No. from the Securities and
Futures Commission:

Tai-Tsai-Cheng VI #0920123784

Approval No. from the Securities and Futures
Commission:

Tai-Tsai-Cheng VI #0930128050

March 4, 2025

TAIWAN CHELIC CO., LTD.
Parent Company Only Balance Sheets
December 31, 2024 and 2023

Unit: NT\$1,000

Code	Assets	December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 443,736	11	\$ 363,598	9
1150	Notes receivable, net (Notes 4, 7 and 19)	8,637	-	7,848	-
1170	Accounts receivable, net (Notes 4, 7 and 19)	39,105	1	32,730	1
1180	Receivables – Related parties (Notes 4, 7, 19 and 26)	61,094	2	50,455	1
1200	Other receivables (Notes 4 and 7)	38	-	13	-
1220	Current tax assets (Notes 4 and 21)	9,624	-	-	-
130X	Inventories (Notes 4, and 8)	253,853	6	310,474	8
1479	Other-current assets (Note 12)	5,736	-	7,400	-
11XX	Total current assets	<u>821,823</u>	<u>20</u>	<u>772,518</u>	<u>19</u>
	Non-current assets				
1550	Investments accounted for using equity method (Notes 4 and 19)	2,497,173	62	2,546,509	63
1600	Property net (Notes 4, 10 and 27)	653,702	17	675,749	17
1821	Intangible assets (Notes 4 and 11)	4,905	-	6,916	-
1840	Deferred tax assets (Notes 4 and 21)	41,866	1	63,446	1
1990	Other non-current assets (Note 12)	2,312	-	2,358	-
15XX	Total non-current assets	<u>3,199,958</u>	<u>80</u>	<u>3,294,978</u>	<u>81</u>
1XXX	Total Assets	<u>\$ 4,021,781</u>	<u>100</u>	<u>\$ 4,067,496</u>	<u>100</u>
	Liabilities and Equity				
	Current liabilities				
2100	Short-term borrowings (Note 13)	\$ 180,000	4	\$ 200,000	5
2130	Contract liabilities (Note 19)	1,992	-	1,513	-
2150	Notes payable (Note 15)	218	-	-	-
2170	Accounts payable (Note 15)	40,053	1	25,452	1
2180	Accounts payable to related parties (Note 26)	13,527	-	10,339	-
2219	Other payables (Note 16)	34,601	1	40,936	1
2230	Current tax liabilities (Notes 4 and 21)	885	-	6,737	-
2322	Long-term borrowings, current portion (Notes 13 and 27)	59,831	2	33,593	1
2321	Bonds payable, current portion (Notes 4 and 14)	556,139	14	-	-
2399	Other current liabilities (Note 16)	1,546	-	1,313	-
21XX	Total current liabilities	<u>888,792</u>	<u>22</u>	<u>319,883</u>	<u>8</u>
	Non-current liabilities				
2530	Bonds payable (Notes 4 and 14)	-	-	584,228	14
2540	Long-term borrowings, current portion (Notes 13 and 27)	309,476	8	369,243	9
2570	Deferred tax liabilities (Notes 4 and 21)	746	-	-	-
2670	Other current liabilities (Note 16)	2	-	2	-
25XX	Total non-current liabilities	<u>310,224</u>	<u>8</u>	<u>953,473</u>	<u>23</u>
2XXX	Total liabilities	<u>1,199,016</u>	<u>30</u>	<u>1,273,356</u>	<u>31</u>
	Equity (Note 18)				
3110	Ordinary share	699,840	17	693,132	17
3200	Capital surplus	729,041	18	733,519	18
	Retained earnings				
3310	Legal reserve	314,038	8	314,038	8
3320	Special reserve	190,924	5	155,050	4
3350	Undistributed earnings	975,298	24	1,071,080	26
3300	Total retained earnings	<u>1,480,260</u>	<u>37</u>	<u>1,540,168</u>	<u>38</u>
	Other equity interest				
3410	Exchange differences on translation of foreign financial statements	(101,957)	(2)	(172,386)	(4)
3420	Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	15,581	-	(293)	-
3400	Total other equity interests	(86,376)	(2)	(172,679)	(4)
3XXX	Total equity	<u>2,822,765</u>	<u>70</u>	<u>2,794,140</u>	<u>69</u>
	Total Liabilities and Equity	<u>\$ 4,021,781</u>	<u>100</u>	<u>\$ 4,067,496</u>	<u>100</u>

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: YU, PING-CHENG

Manager: YU, PING-CHENG

Accounting manager: SU, CHIH-AN

TAIWAN CHELIC CO., LTD.

Parent Company Only Statement of Comprehensive Income

January 1 through December 31, 2024 and 2023

Unit: NT\$1000, except
earnings (losses) per share
which is expressed in NT\$1

Code		2024		2023	
		Amount	%	Amount	%
	Operating revenue				
4100	Sales revenue (Notes 4, 19, and 26)	\$ 434,692	100	\$ 428,014	100
	Operating costs				
5110	Cost of goods sold (Notes 8, 20 and 26)	(307,063)	(71)	(324,545)	(76)
5900	Gross profit	127,629	29	103,469	24
5910	Unrealized gains on sales to subsidiaries, associates, and joint venture (Note 9)	(21,485)	(5)	(24,262)	(6)
5920	Realized gains on sales to subsidiaries, associates, and joint venture	24,262	6	45,729	11
5950	Realized gross profit	130,406	30	124,936	29
	Operating expenses (Note 20 and 26)				
6100	Selling expenses	(46,253)	(11)	(39,044)	(9)
6200	Administration expenses	(57,069)	(13)	(57,043)	(13)
6300	Research and development expense	(31,923)	(7)	(34,142)	(8)
6450	Expected credit impairment loss	-	-	(5)	-
6000	Total operating expenses	(135,245)	(31)	(130,234)	(30)
6900	Operating Losses	(4,839)	(1)	(5,298)	(1)
	Non-operating income and expenses (Note 20)				
7100	Interest revenue	2,615	1	2,276	1
7010	Other income	1,778	-	765	-
7020	Other gains and losses	5,769	1	(746)	-

(Continued)

(Continued)

Code		2024		2023	
		Amount	%	Amount	%
7050	Financial costs	(\$ 24,742)	(6)	(\$ 24,588)	(6)
7070	Share of profit and loss in subsidiaries, associates, and joint ventures recognized using the equity method	(43,896)	(10)	(6,423)	(2)
7000	Total non-operating income and expenses	(58,476)	(14)	(28,716)	(7)
7900	Net losses before tax	(63,315)	(15)	(34,014)	(8)
7950	Income tax (benefit) expense (Notes 4 and 21)	3,407	1	(941)	-
8000	Net losses in the current year	(59,908)	(14)	(34,955)	(8)
	Other comprehensive income (Note 18)				
8310	Items not reclassified subsequently to profit or loss				
8316	Unrealized valuation gain (loss) on equity instruments measured at fair value through other comprehensive income	-	-	(708)	-
8330	Share of other comprehensive income in subsidiaries accounted for using the equity method	15,874	4	2,611	-
		15,874	4	1,903	-
8360	Items that might subsequently be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	88,036	20	(47,221)	(11)
8399	Income tax related to items that might be reclassified to profit or loss (Note 21)	(17,607)	(4)	9,444	2
		70,429	16	(37,777)	(9)

(Continued)

(Continued)

<u>Code</u>		<u>2024</u>		<u>2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
8300	Other comprehensive income in the current year (net after tax)	<u>86,303</u>	<u>20</u>	(<u>35,874</u>)	(<u>9</u>)
8500	Total comprehensive income in the current year	<u>\$ 26,395</u>	<u>6</u>	(<u>\$ 70,829</u>)	(<u>17</u>)
	Losses per share (Note 22)				
9710	Basic	(<u>\$ 0.86</u>)		(<u>\$ 0.51</u>)	

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: YU, PING-CHENG

Manager: YU, PING-CHENG

Accounting manager: SU, CHIH-AN

TAIWAN CHELIC CO., LTD.
Parent Company Only Statement of Changes in Equity
January 1 through December 31, 2024 and 2023

Unit: NT\$1,000

Code		Share capital	Capital surplus	Retained earnings			Other equity interest		Total equity
				Legal reserve	Special reserve	Undistributed earnings	Exchange differences on translation of foreign financial statements	Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	
A1	Balance as of January 1, 2023	\$ 681,034	\$ 686,826	\$ 296,874	\$ 182,154	\$ 1,201,655	(\$ 134,609)	(\$ 2,196)	\$ 2,911,738
	Appropriation and distribution of earnings in 2022 (Note 18)								
B1	Legal reserve	-	-	17,164	-	(17,164)	-	-	-
B3	Special reserve	-	-	-	(27,104)	27,104	-	-	-
B5	Cash dividends for shareholders of the Company	-	-	-	-	(105,560)	-	-	(105,560)
I1	Conversion of convertible corporate bonds (Notes 14 and 18)	12,098	46,693	-	-	-	-	-	58,791
D1	Net Loss for 2023	-	-	-	-	(34,955)	-	-	(34,955)
D3	Other comprehensive income (loss) after tax for 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,777)</u>	<u>1,903</u>	<u>(35,874)</u>
D5	Total comprehensive income for 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,955)</u>	<u>(37,777)</u>	<u>1,903</u>	<u>(70,829)</u>
Z1	Balance as of December 31, 2023	693,132	733,519	314,038	155,050	1,071,080	(172,386)	(293)	2,794,140
	Appropriation and distribution of earnings in 2023 (Note 18)								
B3	Special reserve	-	-	-	35,874	(35,874)	-	-	-
C15	Cash dividends distributed from capital surplus	-	(34,830)	-	-	-	-	-	(34,830)
I1	Conversion of convertible corporate bonds (Notes 14 and 18)	6,708	30,352	-	-	-	-	-	37,060
D1	Net Loss for 2024	-	-	-	-	(59,908)	-	-	(59,908)
D3	Other comprehensive income (loss) after tax for 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,429</u>	<u>15,874</u>	<u>86,303</u>
D5	Total comprehensive income for 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,908)</u>	<u>70,429</u>	<u>15,874</u>	<u>26,395</u>
Z1	Balance as of December 31, 2024	<u>\$ 699,840</u>	<u>\$ 729,041</u>	<u>\$ 314,038</u>	<u>\$ 190,924</u>	<u>\$ 975,298</u>	<u>(\$ 101,957)</u>	<u>\$ 15,581</u>	<u>\$ 2,822,765</u>

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: YU, PING-CHENG

Manager: YU, PING-CHENG

Accounting manager: SU, CHIH-AN

TAIWAN CHELIC CO., LTD.

Parent Company Only Statement of Cash Flow

January 1 through December 31, 2024 and 2023

Unit: NT\$1,000

Code		2024	2023
	Cash Flows from Operating Activities		
A10000	Net losses before tax	(\$ 63,315)	(\$ 34,014)
A20010	Income and Expenses		
A20100	Depreciation	35,177	38,829
A20200	Amortization	2,511	2,789
A20300	Expected credit impairment loss	-	5
A20900	Financial costs	24,742	24,588
A21200	Interest revenue	(2,615)	(2,276)
A22400	Share of profit in subsidiaries, associates, and joint ventures recognized using the equity method	43,896	6,423
A23700	Loss on inventory devaluation	-	29,011
A23900	Unrealized sales gains	21,485	24,262
A24000	Realized sales gains	(24,262)	(45,729)
A24100	Unrealized foreign currency exchange gains	(3,866)	(1,152)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	(789)	5,465
A31150	Accounts receivable	(6,270)	4,908
A31160	Accounts receivable due from related parties	(10,531)	45,637
A31180	Other receivables	(2)	-
A31200	Inventory	56,621	52,960
A31240	Other current assets	1,664	(786)
A32125	Contract liabilities	479	(49)
A32130	Notes payable	218	-
A32150	Accounts payable	14,601	(10,424)
A32160	Accounts payable to related parties	3,321	(485)
A32180	Other payables	(5,796)	(14,166)
A32230	Other current liabilities	<u>233</u>	<u>(212)</u>
A33000	Cash generated from operations	87,502	125,584
A33100	Interest received	2,592	2,308
A33300	Interest paid	(15,237)	(13,558)
A33500	Income taxes paid	<u>(7,350)</u>	<u>(7,852)</u>
AAAA	Net cash inflow from operating activities	<u>67,507</u>	<u>106,482</u>

(Continued)

(Continued)

Code		2024	2023
	Cash Flow from Investing Activities		
B00040	Decrease in financial assets measured at amortized cost	\$ -	\$ 49,136
B02200	Acquisition of subsidiaries (Note 9)	(24,142)	-
B02700	Acquisition of property, plant, and equipment	(13,232)	(24,290)
B04500	Acquisition of intangible assets	(500)	(170)
B06700	Decrease in other non-current assets	505	433
B07100	Increase in prepayments for business facilities	(1,430)	(728)
B07600	Dividends received from subsidiaries	<u>136,269</u>	<u>80,600</u>
BBBB	Net cash inflow from investing activities	<u>97,470</u>	<u>104,981</u>
	Cash Flow from Financing Activities		
C00100	Increase (Decrease) in short-term borrowings	(20,000)	140,000
C01300	Repayment of corporate bonds	-	(480,000)
C01600	Increase in long-term borrowing	-	350,000
C01700	Repayment of long-term borrowings	(33,529)	(23,489)
C04500	Cash dividends distributed	(<u>34,830</u>)	(<u>105,560</u>)
CCCC	Net cash outflow from financing activities	(<u>88,359</u>)	(<u>119,049</u>)
DDDD	Effects of exchange rate changes on cash and cash equivalents	<u>3,520</u>	<u>48</u>
EEEE	Increase in cash and cash equivalents	80,138	92,462
E00100	Cash and cash equivalents - beginning of year	<u>363,598</u>	<u>271,136</u>
E00200	Cash and cash equivalents - end of year	<u>\$ 443,736</u>	<u>\$ 363,598</u>

The accompanying notes are an integral part of the Parent Company Only Financial Statements.

Chairman: YU, PING-CHENG

Manager: YU, PING-CHENG

Accounting manager: SU, CHIH-AN

TAIWAN CHELIC CO., LTD.

Notes to the Parent Company Only Financial Statements

January 1 through December 31, 2024 and 2023

(In NT\$ thousands, unless otherwise stated)

I. Company History

- (I) CHELIC (the "Company" hereinafter) was duly incorporated on November 19, 1986 under the approval of the Ministry of Economic Affairs, with a registered capital of NT\$2,000 thousand. The registered capital amounted to NT\$699,840 thousand at present after instances of capital increase over the past years. The Company is mainly engaged in the design, production, and trading of pneumatic and hydraulic equipment for a variety of machinery, and the parts thereof, and electronic parts.
- (II) The Company's stock has been listed and traded on the Taiwan Stock Exchange since October 27, 2015.
- (III) The Parent Company Only Financial Statements are stated in the functional currency of the Company, which is New Taiwan Dollars.

II. Date and Procedures of Approval of the Financial Statements

These Parent Company Only Financial Statements were approved by the Board of Directors on March 4, 2025.

III. Application of New Standards, Amendments, and Interpretations

- (I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively "IFRS" (International Financial Reporting Standards) hereinafter) endorsed and put into effect by the Financial Supervisory Commission ("FSC" hereinafter)

Application of the amended IFRSs endorsed and promulgated by the FSC will not cause significant changes to the Company's accounting policy.

- (II) Application of the FSC-endorsed IFRS in 2025

New, Revised, or Amended Standards and Interpretations	Effective date published by the IASB
Amendments to IAS 21 - "Lack of Exchangeability"	January 1, 2025 (Note)

Note: Applicable to the annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendment, comparative periods shall not be restated. Instead, the cumulative effect of the change shall be recognized in retained earnings or the foreign currency translation reserve (as applicable), and in the affected assets and liabilities, as of the date of initial application.

(III) IFRS Accounting Standards Issued by the IASB but Not Yet Endorsed and Effective by the FSC

New, Revised, or Amended Standards and Interpretations	Effective date published by the IASB (Note)
"Annual Improvements to IFRS Standards – Volume 11"	January 1, 2026
Revised IFRS 9 and IFRS 7: "Revised the Classification and Measurement of Financial Instruments"	January 1, 2026
Revised IFRS 9 and IFRS 7: 'Contracts Involving Naturally Dependent Power	January 1, 2026
Revised IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment 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 with No Public Accountability: Disclosure"	January 1, 2027

Note: Unless otherwise specified, the above-mentioned new/ amended/ revised standards or interpretation shall become effective in the annual reporting periods beginning on or after each effective date.

IFRS 18: "Presentation and Disclosure in Financial Statements"

IFRS 18 will replace IAS 1 "Presentation of Financial Statements." The main changes in this standard include:

- The income statement should classify income and expense items into operating, investing, financing, income tax, and discontinued operations categories.
- The income statement should present operating profit, pre-tax profit before financing, as well as subtotals and totals for profit and loss.

- Provide guidance to strengthen the aggregation and segmentation requirements: the company should identify assets, liabilities, equity, income, expenses, and cash flows arising from individual transactions or other matters, and classify and aggregate them based on common characteristics, ensuring that each line item presented in the primary financial statements has at least one similar characteristic. Items with dissimilar characteristics should be further segmented in the primary financial statements and notes. The company should label such items as "Other" only when a more informative classification cannot be determined.
- Enhance disclosure of performance measures defined by management: When the company engage in public communication outside of the financial statements, or when communicating management's perspective on a particular aspect of the overall financial performance to financial statement users, they should disclose in a single note to the financial statements the performance measures defined by management. This should include a description of the measure, how it is calculated, its reconciliation with subtotals or totals defined by IFRS standards, and the impact of related adjustments on income tax and non-controlling interests.

As of the date the individual financial statements were approved for issuance, the Company continued to assess the effects of the amendments to various standards and interpretations on its financial position and performance. The relevant effects will be disclosed once the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Compliance statement

These Parent Company Only Financial Statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

The Parent Company Only Financial Statements have been prepared on the historical cost basis, except for financial instruments measured at fair value.

Fair value measurement inputs are classified into Level 1, 2, and 3 inputs based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: The quoted price in an active market for identical assets or liabilities that is accessible on the measurement date (before adjustment).
2. Level 2 inputs: Other than quoted prices included in Level 1, the inputs that are observable for assets or liabilities directly (i.e. the price) or indirectly (i.e. inferred from the price).
3. Level 3 inputs: The inputs that are not observable for assets or liabilities.

When preparing the Parent Company Only Financial Statements, the Company accounted for its investment in subsidiaries using the equity method. To make the profit or loss, other comprehensive income, and equity in these Parent Company Only Financial Statements for this year consistent with the profit or loss, other comprehensive income, and equity attributable to owners of the Company in the Consolidated Financial Statements for the same year, the Company adjusted for the differences arising from the difference in accounting treatment on a consolidated basis and that on a parent company only basis through "Investments accounted for using equity method", "Share of profit or loss in subsidiaries, associates, and joint ventures recognized using the equity method", "Share of other comprehensive income in subsidiaries accounted for using the equity method".

(III) Criteria for classification of assets and liabilities as current or non-current

Current assets include:

1. Assets that are held mainly for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (excluding those that are restricted from being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. Liabilities due for settlement within 12 months after the balance sheet date (even if long-term refinancing or payment arrangement agreements have been completed after the balance sheet date but before the approval of the financial statements) shall be classified as current liabilities, and

3. liabilities for which the entity does not have a substantive right to defer settlement for at least 12 months after the balance sheet date shall also be classified as current liabilities.

Otherwise, they are classified as non-current.

(IV) Foreign currency

When preparing the Parent Company Only Financial Statements, the Company converted the transactions denominated in currencies other than its functional currency (i.e., foreign currencies) into its functional currency by applying the exchange rate prevailing on the transaction date.

Monetary items in foreign currencies are converted at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items are recognized in the profit or loss of the period.

Non-monetary items in foreign currencies measured at fair value are translated at the exchange rate prevailing on the date the fair value was determined. The exchange differences resulting therefrom are recognized in profit or loss of the period, or in other comprehensive income when changes in fair value of such items were designated to be recognized in other comprehensive income.

Foreign-currency Non-monetary items measured at historical cost are translated at the exchange rate on the date of transaction and are not retranslated.

During preparation of the Parent Company Only Financial Statements, the assets and liabilities of foreign operations are converted into TWD at the exchange rate prevailing on each balance sheet date. The income and expense items are converted at the average exchange rate of the period, and the exchange differences resulting therefrom are recognized in other comprehensive income.

(V) Inventory

Inventories include raw supplies, finished goods, work in progress, and products. Inventories are measured at the lower of cost and net realizable value. Cost and net realizable values are compared on an item by item basis, except inventories of the same category. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventories cost.

(VI) Investment in subsidiary

The Company accounted for its investment in subsidiaries using the equity method.

Subsidiary means an entity over which the Company has control.

Under the equity method, the investment is initially recognized at its costs and the amount of increase or decrease in the carrying amount of such investment after the date of acquisition depends on the Company's shares of profit/loss and other comprehensive income in the subsidiaries and the distributed profits. In addition, changes in the Company's share of other equity in subsidiaries are recognized in proportion to its shareholding percentage in the subsidiaries.

When the Company's change in the ownership interest in a subsidiary does not result in the loss of control, such change is accounted for as an equity transaction. The differences between the book value of investments and the fair value of the consideration paid or received are recognized directly in equity.

For the purpose of assessing impairment losses, the Company takes the cash generating units in the financial statements as a whole and compares their book value and recoverable amount. If the recoverable amount of the asset increases later, the reversed impairment loss will be recognized as gains. However, the increased book value of an asset attributable to a reversal of an impairment loss shall not exceed the book value that would have been determined (net of amortization) had no impairment loss been recognized for the asset.

The unrealized gains and losses from downstream transactions between the Company and its subsidiaries are eliminated in the Parent Company Only Financial Statements. The gains or losses from upstream or sidestream transactions between the Company and its subsidiaries are recognized in the Parent Company Only Financial Statements only to the extent that such gains or losses are not related to the Company's interests in the subsidiaries.

(VII) Property, plant and equipment

Property, plant, and equipment are initially recognized at cost and subsequently at cost net of accumulated depreciation and accumulated impairment.

Except for land, which is not depreciated, property, plant, and equipment are depreciated on a straight-line basis over their useful lives, with each significant component being depreciated separately. The Company reviews the estimated

useful life, residual value, and method of depreciation at least once before the end of each year and prospectively recognizes the effect from changes in accounting estimates.

When property, plant, and equipment is derecognized, the difference between the net disposal proceeds and the asset book value is recognized in profit or loss.

(VIII) Intangible assets

1. Acquired separately

Separately acquired intangible assets with a finite useful life are initially measured at cost and subsequently at the cost net of accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over their useful lives. The Company reviews the estimated useful life, residual value, and method of amortization at least once before the end of each year and prospectively recognizes the effect from changes in accounting estimates.

2. Derecognition

When an intangible asset is derecognized, the difference between the net disposal proceeds and the asset's carrying amount is recognized in profit or loss for the current period.

(IX) Impairment of property, plant, and equipment and intangible assets

The Company assesses whether there are any signs indicating that any property, plant, and equipment or intangible assets might be impaired on each balance sheet date. If any such indication exists, then the asset's recoverable amount is estimated. When the recoverable amount of an individual asset cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than their carrying amount, the carrying amount of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the resulting impairment loss is recognized in profit or loss.

When the impairment loss is reversed subsequently, the carrying amount of the asset or cash-generating unit is adjusted up to the revised recoverable amount. However, the increased carrying amount shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no

impairment loss been recognized in prior years. The reversal of the impairment loss is recognized in profit or loss.

(X) Financial instruments

Financial assets and financial liabilities are initially recognized in the parent company only balance sheet when the Company becomes a party to the financial instrument contract.

Financial assets or financial liabilities other than those measured at fair value through profit or loss are initially recognized at the fair value plus the transaction costs that can be directly attributable to acquisition or issuance of such financial assets or liabilities. Any transaction cost directly attributable to the acquisition or issuance of the financial assets or financial liabilities measured at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial asset

The arm's length transactions of financial assets are recognized and derecognized using the transaction date accounting method.

(1) Type of measurement

The Company's financial assets include financial assets measured at amortized cost and investment in equity instrument measured at fair value through other comprehensive income.

A. Financial assets at amortized cost

When the Company's invested financial assets meet both of the following two conditions, they are classified as financial assets measured at amortized cost:

- a. The financial assets are held within a business model whose objective is collecting contractual cash flows; and
- b. The contractual terms give rise on specified date to cash flow that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the financial assets measured at amortized cost (including notes receivable and accounts receivable[[including those due from related parties], other receivables excluding tax refund receivable], and guarantee deposits paid) are measured at the amortized cost equal to the total book value determined under the effective interest method less any impairment

losses, and any gain or loss from foreign currency translation is recognized in profit or loss.

Interest revenue is calculated as the effective interest rate times the total carrying amount of financial assets, except under the following two circumstances:

- a. For purchased or originated credit-impaired financial assets, the interest revenue is calculated as the credit-adjusted effective interest rate times the amortized cost of the financial assets.
- b. For financial assets that are not purchased or originated credit-impaired financial assets but somehow become impaired subsequently, the interest revenue is calculated as the effective interest rate times the amortized cost of the financial assets.

Cash equivalents include highly liquid commercial paper that is within 3 months of the date of acquisition, can be converted into a fixed amount of cash at any time, and has a very small risk of value change. It is used to meet short-term cash commitments.

B. Investment in equity instruments measured at fair value through other comprehensive income

At initial recognition, the Company may make an irrevocable election to measure the investment in equity instruments that are held not for trading, that are not recognized by the acquirer in a business merger, and that have no consideration, at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity interest. When investment is disposed of, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

The dividends derived investment in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the Company's right to receive dividends is determined, except under the circumstance that such dividends apparently represent a partial return of the investment cost.

(2) Impairment of financial assets

The Company assesses impairment losses on the financial assets (including accounts receivable) measured at amortized cost, based on the expected credit losses on each balance sheet date.

Loss allowance for accounts receivable is recognized based on the lifetime expected credit losses (ECL). The Group first assess whether the credit risk on other financial assets has significantly increased after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized at the 12-month ECL; when the increase is significant, the loss allowance is recognized at the lifetime ECL.

ECL is the weighted average credit losses with the probability of default ('PD') as the weight. 12-month ECL represents the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime ECL represents the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, the contract of any financial assets is deemed by the Company to be breached when any of the following circumstance occurs, without consideration of the collateral held:

- A. Any internal or external information indicates that a debtor is impossible to pay off the debts.
- B. Any contractual payment is more than 180 days overdue, unless any reasonable and supportable information demonstrates that a more lagging default criterion is more appropriate.

The impairment loss on all financial assets is deducted from the book value of the financial assets through their allowance account.

(3) Derecognition of financial assets

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

For derecognition of a financial assets measured at amortized cost in its entirety, the differences between the carrying amount and the received considerations are recognized in profit or loss. For derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity according to the substance of the contract agreement and the definition of financial liabilities and equity instruments.

Equity instruments issued by the Company are recognized at the amount of consideration received, less the direct cost of issuance.

When a reacquired equity instrument is originally owned by the Company, the re-acquisition is recognized as a deduction to equity. Purchase, sale, issuance, or cancellation of the equity instruments owned by the Company are not recognized in profit or loss.

3. Financial liability

(1) Subsequent measurement

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

(2) Derecognition of financial liabilities

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

4. Convertible corporate bonds

The components of the compound financial instrument (convertible corporate bonds) issued by the Company are classified into financial liabilities and equity upon initial recognition of such bonds according to the substance of the contract agreement and the definition of financial liabilities and equity instruments.

The liability component is initially measured at the fair value derived from the market interest rate of other similar nonconvertible instruments, and at amortized cost derived using the effective interest method before the maturity date or the date on which the rights to conversion are exercised. The

liability component that is an non-equity-based embedded derivative is measured at fair value.

The conversion rights classified as equity is the residual value of the fair value of the compound instrument as a whole less the separately determined fair value of the liability component; such conversion rights net of income tax effects are recognized in equity and not remeasured thereafter. When the conversion rights are exercised, the amount of relevant liability component and equity will be transferred to share capital and capital surplus -- additional paid-in capital, respectively. If the conversion rights attached to the convertible corporate bonds are exercised on the maturity date, the amount recognized in equity will be transferred to capital surplus -- additional paid-in capital.

Transaction costs related to the issuance of convertible corporate bonds are allocated separately to the liability component (i.e., included in the carrying amount of liabilities) and the equity component (i.e., included in equity) of the instrument in proportion to the apportioned total price.

5. Derivatives

The derivative instrument entered into by the Company is the option whose underlying assets are the Company's convertible corporate bonds.

Derivatives are initially recognized at fair value upon execution of contracts, and then re-measured at fair value on the balance sheet date; any gains or losses resulting therefrom are directly recognized in profit or loss. However, the time point at which derivatives designated to be an effective hedging instrument is recognized in profit or loss depends on the nature of hedging relationship. A derivative with a positive value is recognized as a financial asset, and a derivative with a negative value is recognized as a financial liability.

If the derivative is embedded in the host contract of an asset within the scope of IFRS 9 "Financial Instruments", the classification of the financial asset is determined by the contract as a whole. A derivative is considered an independent derivative instrument on conditions that the derivative is embedded in an instrument other than the host contract of an asset within the scope of IFRS 9 (e.g., embedded in the host contract of a financial liability), that the embedded derivative instrument meet the definition of a derivative

instrument, that the instrument's risk and characteristics do not closely correlated with those of the host contract, and that such hybrid contract is not measured at fair value through profit or loss.

(XI) Revenue recognition

After identifying the performance obligations under a contract with customers, the Company allocates the transaction price to each performance obligation and recognizes the allocated amount as revenue when a performance obligation is fulfilled.

Product sales revenue

Product sales revenue is derived mainly from sale of pneumatic equipment. Since the time point at which products are shipped is the time point at which the customer has the right to the pricing and use of the products and bears the risk of obsolescence of the product, the Company recognizes revenue and accounts receivable at such a time point. Advance receipts are recognized as contract liabilities before goods are shipped.

Providing materials for processing does not result in transfer of major risks and rewards incidental to the ownership of goods and is therefore not accounted for as sales.

(XII) Lease

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

1. The Company as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. Otherwise a lease is classified as an operating lease.

2. The Company as a lessee

Lease payments from the leases of low-value underlying assets and short-term leases which are qualified for a recognition exemption are recognized as expenses on a straight-line basis over the lease term. On the other hand, a right-of-use asset and a lease liability are recognized for all other leases on the lease commencement date.

The right-of-use assets are initially measured at cost (including the initial recognized amount of lease liabilities), and subsequently measured at the cost

net of accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of lease liabilities.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Lease liabilities are initially measured at the present value of lease payment (including fixed payments). If the interest rate implicit in a lease can be readily determined, the lease payments are discounted at the interest rate. When such interest rate cannot be readily determined, the lessee's incremental borrowing rate of interest is used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term.

(XIII) Borrowing cost

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are an integral part of the cost of the asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.

Investment income earned from temporary investment using specific borrowings before the capital expenditure on the qualifying asset is made is deducted from the borrowing cost eligible for capitalization.

Except for those stated above, all other borrowing costs are recognized in profit or loss in the period in which they occur.

(XIV) Government grants

A government grant is recognized only when there is reasonable assurance that (a) the Company will comply with any conditions attached to the grant and (b) the grant will be received.

If the government grants are intended to make up the expenses or losses that have occurred, or immediately finance the Company without incurring any future cost, such subsidies are recognized in profit or loss during the period when they can be received.

(XV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid in exchange for the services to be provided by the employees.

2. Post-retirement benefits

The pension contributed under the Defined Contribution Pension Plan is recognized in expenses during the period when employees provide services.

(XVI) Income tax[es]

Tax expenses are the total of current income tax and deferred income tax.

1. Current income tax

The Company determines the income (loss) for the current period in accordance with the laws and regulations prevailing in each taxation jurisdiction and, based on this, calculates the income tax payable (recoverable).

The additional income tax on undistributed earnings that is calculated according to the Income Tax Act of the Republic of China is recognized as income tax expenses in the year when the related resolution is made at the shareholders' meeting.

The adjustments to the income tax payable in the previous year are recognized in current income tax.

2. Deferred tax

Deferred income tax is calculated based on the temporary difference between the carrying amount of assets and liabilities and the tax basis for calculation of taxable income.

Deferred tax liabilities are generally recognized based on all taxable temporary differences; a deferred tax assets is recognized when it is probable that taxable profit will be available against which the deductible temporary differences can be used.

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

investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which the temporary differences can be used and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed on the balance sheet date 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 deferred tax asset to be recovered. The deferred tax assets which were not recognized is also reviewed on the balance sheet date and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of 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 liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred tax for the year

Current and deferred tax 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 tax are also recognized in other comprehensive income or directly in equity, respectively.

V. Significant Accounting Judgments, Assumptions, and Major Sources of Estimation Uncertainty

For adoption of the accounting policies, the Company's management, based on historical experience and other relevant factors, must make judgments, estimates, and assumptions related to the information that cannot be readily acquired from other sources. The actual results may differ from those estimates.

The Company takes into account the inflation and interest rate fluctuation on the market when making significant accounting estimates for cash flows, growth rate, discount rate, and profitability. The management will continue to review the estimates and basic assumptions.

VI. Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand and working capital	\$ 124	\$ 160
Checking deposits and demand deposits at banks	393,110	283,508
Cash equivalent		
Commercial paper	<u>50,502</u>	<u>79,930</u>
	<u>\$ 443,736</u>	<u>\$ 363,598</u>

Below are the market interest rate intervals for cash in banks and commercial papers on the balance sheet date:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Bank demand deposit	0.002%~0.800%	0.001%~1.450%
Commercial paper	1.170%	1.000%

VII. Notes receivable, accounts receivable, and other receivables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Notes receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 8,637	\$ 7,848
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 8,637</u>	<u>\$ 7,848</u>
<u>Accounts receivable</u>		
Measured at amortized cost		
Total carrying amount	\$ 39,105	\$ 32,730
Less: Loss allowance	<u>-</u>	<u>-</u>
	<u>\$ 39,105</u>	<u>\$ 32,730</u>
<u>Accounts receivable due from related parties</u>	<u>\$ 61,094</u>	<u>\$ 50,455</u>
<u>Uncollectible receivables</u>		
Uncollectible receivables	\$ 250	\$ 250
Less: Loss allowance	<u>(250)</u>	<u>(250)</u>
	<u>\$ -</u>	<u>\$ -</u>
<u>Other receivables</u>		
interest receivable	\$ 36	\$ 13
Others	<u>2</u>	<u>-</u>
	<u>\$ 38</u>	<u>\$ 13</u>

(I) Notes receivable

The aging analysis of the Company's notes receivable and the allowance loss provided using the provision matrix are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Not overdue</u>	<u>Not overdue</u>
ECL rate	0%	0%
Total carrying amount	\$ 8,637	\$ 7,848
Loss allowance (lifetime ECL)	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 8,637</u>	<u>\$ 7,848</u>

(II) Accounts receivable / Accounts receivable due from related parties

The Company's average credit period for commodity sales is 30 to 120 days; no interest will accrue on receivables. The Company assesses the major customers by leveraging other accessible financial data and past transaction records. The Company continuously monitors its credit risk exposure and the credit rating of the counterparty, and apportions the total transaction amount among those customers with a qualified credit rating. The Company also reviews and approves the credit limit assigned to a counterparty every year to manage credit risk exposure.

The Company provides loss allowance for accounts receivable based on the lifetime ECL. Lifetime ECL is computed using the provision matrix, which takes into account a customer's historical default record and current financial position, industry and economic conditions, GDP forecast, and industry outlook. Since the Company's historical credit loss experience indicates no significant loss patterns among the various customer groups, the provision matrix is not customer-specific but rather features an ECL rate devised based on the number of days receivables past due.

When there is any evidence showing that the trading counterparty is facing serious financial difficulties and the Company cannot estimate a reasonable recoverable amount, the Company directly writes off related receivables, but will continue recourse activities. Any recovered amount through the recourse activities is recognized in profit or loss.

The allowance loss provided for the Company's accounts receivable based on the provision matrix is as follows:

December 31, 2024

	Not overdue	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	121-150 days past due	151-180 days past due	More than 180 days past due	Total
ECL rate	-	-	-	-	-	-	-	-	-
Total carrying amount	\$ 100,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,199
Loss allowance (lifetime ECL)	-	-	-	-	-	-	-	-	-
Amortized cost	\$ 100,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,199

December 31, 2023

	Not overdue	1-30 days past due	31-60 days past due	61-90 days past due	91-120 days past due	121-150 days past due	151-180 days past due	More than 180 days past due	Total
ECL rate	-	-	-	-	-	-	-	-	-
Total carrying amount	\$ 83,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,185
Loss allowance (lifetime ECL)	-	-	-	-	-	-	-	-	-
Amortized cost	\$ 83,185	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,185

(III) Uncollectible receivables

Changes in allowance for uncollectible receivables are as follows:

	2024	2023
Balance - beginning of year	\$ 250	\$ 245
Plus: Provision of impairment loss in the current year	-	5
Balance - end of year	\$ 250	\$ 250

(IV) Other receivables

The Company's other receivables are interest and other receivables. Since historical experience indicates no uncollectible situation, after assessment, the Company determines that no loss allowance is required to be provided.

VIII. Inventory

	December 31, 2024	December 31, 2023
Raw materials	\$ 34,959	\$ 43,347
Finished goods	28,330	35,295
Work in process	169,002	211,429
Commodity	21,562	20,403
	<u>\$ 253,853</u>	<u>\$ 310,474</u>

The type of operating costs related to inventories is as follows:

	2024	2023
Cost of inventories sold	\$ 292,827	\$ 295,534
Unallocated manufacturing overhead	14,236	-
Loss on inventory devaluation	-	29,011
	<u>\$ 307,063</u>	<u>\$ 324,545</u>

IX. Investments accounted for using equity method

<u>Investment in subsidiary</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Unlisted companies (not listed on an exchange or OTC)		
FULL ASSET GROUP L.L.C.	\$ 1,371,931	\$ 1,492,432
FULLTEK GROUP L.L.C.	26,990	27,586
Smart Technology Investment Co., Ltd.	150,873	143,569
CHELIC (BVI) Corp.	946,135	907,184
CHELIC TECHNOLOGY (THAILAND) CO., LTD.	22,729	-
Less: Unrealized gross profit from sales to subsidiaries	(<u>21,485</u>)	(<u>24,262</u>)
	<u>\$ 2,497,173</u>	<u>\$ 2,546,509</u>

The Company's ownership interest and voting rights percentages in subsidiaries at the balance sheet date are as follows:

<u>Company name</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
FULL ASSET GROUP L.L.C.	100%	100%
FULLTEK GROUP L.L.C.	100%	100%
Smart Technology Investment Co., Ltd.	100%	100%
CHELIC (BVI) Corp.	100%	100%
CHELIC TECHNOLOGY (THAILAND) CO., LTD.	99.8%	-

CHELIC TECHNOLOGY (THAILAND) CO., LTD. completed its registration in September 2024. As of December 31, 2024, the company has invested a total of NTD24,142 thousand.

The Company's share of profit or loss and share of other comprehensive income in subsidiaries accounted for using the equity method for 2024 and 2023 were recognized based on the financial statements of each subsidiary for the same period that have been audited by CPAs.

X. Property, plant and equipment

Own use

	Self-owned land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
<u>Costs</u>							
Balance as of January 1, 2024	\$ 274,665	\$ 472,796	\$ 102,208	\$ 533	\$ 21,959	\$ 312,749	\$ 1,184,910
Addition	-	736	-	-	329	11,094	12,159
Disposal	-	-	-	-	(331)	(3,972)	(4,303)
Reclassification (Note)	-	-	-	-	-	971	971
Balance as of December 31, 2024	<u>274,665</u>	<u>473,532</u>	<u>102,208</u>	<u>533</u>	<u>21,957</u>	<u>320,842</u>	<u>1,193,737</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2024	-	133,524	76,657	533	21,480	276,967	509,161
Depreciation	-	12,337	6,499	-	420	15,921	35,177
Disposal	-	-	-	-	(331)	(3,972)	(4,303)
Balance as of December 31, 2024	<u>-</u>	<u>145,861</u>	<u>83,156</u>	<u>533</u>	<u>21,569</u>	<u>288,916</u>	<u>540,035</u>
Net amount on December 31, 2024	<u>\$ 274,665</u>	<u>\$ 327,671</u>	<u>\$ 19,052</u>	<u>\$ -</u>	<u>\$ 388</u>	<u>\$ 31,926</u>	<u>\$ 653,702</u>
<u>Costs</u>							
Balance as of January 1, 2023	\$ 274,665	\$ 472,416	\$ 97,590	\$ 533	\$ 22,439	\$ 294,344	\$ 1,161,987
Addition	-	380	4,618	-	233	17,191	22,422
Disposal	-	-	-	-	(713)	(900)	(1,613)
Reclassification (Note)	-	-	-	-	-	2,114	2,114
Balance as of December 31, 2023	<u>274,665</u>	<u>472,796</u>	<u>102,208</u>	<u>533</u>	<u>21,959</u>	<u>312,749</u>	<u>1,184,910</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2023	-	121,139	68,461	533	21,584	260,228	471,945
Depreciation	-	12,385	8,196	-	609	17,639	38,829
Disposal	-	-	-	-	(713)	(900)	(1,613)
Balance as of December 31, 2023	<u>-</u>	<u>133,524</u>	<u>76,657</u>	<u>533</u>	<u>21,480</u>	<u>276,967</u>	<u>509,161</u>
Net amount on December 31, 2023	<u>\$ 274,665</u>	<u>\$ 339,272</u>	<u>\$ 25,551</u>	<u>\$ -</u>	<u>\$ 479</u>	<u>\$ 35,782</u>	<u>\$ 675,749</u>

Note: Reclassification from "other non-current assets - prepayment for business facilities" to each category of property, plant, and equipment.

Property, plant, and equipment is depreciated on a straight-line basis over their useful life as follows:

Buildings	
Plant and main structures	20~55 years
Others	5~50 years
Machinery and equipment	7~12 years
Transportation equipment	5 years
Office equipment	2~9 years
Other equipment	2~15 years

For property, plant, and equipment the Company mortgaged as collateral against borrowings, see Note 27.

XI. Intangible assets

	Computer software	Technology license	Total
<u>Costs</u>			
Balance as of January 1, 2024	\$ 33,691	\$ 614	\$ 34,305
Acquired separately	<u>-</u>	<u>500</u>	<u>500</u>
Balance as of December 31, 2024	<u>\$ 33,691</u>	<u>\$ 1,114</u>	<u>\$ 34,805</u>
<u>Cumulative amortization</u>			
Balance as of January 1, 2024	\$ 26,775	\$ 614	\$ 27,389
Amortization	<u>2,282</u>	<u>229</u>	<u>2,511</u>
Balance as of December 31, 2024	<u>\$ 29,057</u>	<u>\$ 843</u>	<u>\$ 29,900</u>
Net amount on December 31, 2024	<u>\$ 4,634</u>	<u>\$ 271</u>	<u>\$ 4,905</u>
<u>Costs</u>			
Balance as of January 1, 2023	\$ 33,521	\$ 614	\$ 34,135
Acquired separately	<u>170</u>	<u>-</u>	<u>170</u>
Balance as of December 31, 2023	<u>\$ 33,691</u>	<u>\$ 614</u>	<u>\$ 34,305</u>
<u>Cumulative amortization</u>			
Balance as of January 1, 2023	\$ 23,986	\$ 614	\$ 24,600
Amortization	<u>2,789</u>	<u>-</u>	<u>2,789</u>
Balance as of December 31, 2023	<u>\$ 26,775</u>	<u>\$ 614</u>	<u>\$ 27,389</u>
Net amount on December 31, 2023	<u>\$ 6,916</u>	<u>\$ -</u>	<u>\$ 6,916</u>

Amortization is provided on a straight line basis over the following useful lives:

Computer software	3~7 years
Technology license	1.5~2 years

XII. Other assets

	December 31, 2024	December 31, 2023
<u>Current</u>		
Prepayments	\$ 5,147	\$ 6,964
Excess business tax paid	389	236
Temporary debits	<u>200</u>	<u>200</u>
	<u>\$ 5,736</u>	<u>\$ 7,400</u>
<u>Non-current</u>		
Prepayments for business facilities	\$ 1,629	\$ 1,170
Guarantee deposits paid	101	173
Others	<u>582</u>	<u>1,015</u>

\$ 2,312

\$ 2,358

XIII. Loans

(I) Short-term borrowings

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Unsecured loans</u>		
— Credit facilities	<u>\$ 180,000</u>	<u>\$ 200,000</u>

Short The annual interest rates on bank loans as of December 31, 2024 and 2023 were 1.85%~1.95% and 1.70%~1.72%, respectively.

(II) Long-term borrowings

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Secured loans</u> (Note 27)		
Bank loan	\$ 369,307	\$ 402,836
Less: Those due within one year	(<u>59,831</u>)	(<u>33,593</u>)
Long-term borrowings	<u>\$ 309,476</u>	<u>\$ 369,243</u>

The Company's loans include:

	<u>Maturity date</u>	<u>Major terms</u>	<u>Effective interest rate</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Chang Hwa Bank Mortgage loan for bank	2030.05.02	Mortgage loan, with a duration between 2023.05.02-2030.05.02. An interest rate of 2.025%; interest paid monthly; principal repaid in 60 installments starting from 2025.05.02.	2.025%	\$ 230,000	\$ 230,000
Bank of Taiwan Mortgage loan for bank	2028.05.02	Mortgage loan, with a duration between 2023.05.02-2028.05.02. An interest rate of 2.0455%; interest paid monthly; principal to be repaid in 60 installments starting from 2023.05.02	2.0455%	83,272	106,583
Mortgage loan for bank	2030.02.02	Mortgage loan, with a duration between 2015.02.02-2030.02.02. An interest rate of 1.9607%; interest paid monthly; principal repaid in 144 installments starting from 2018.02.02.	1.9607%	56,035	66,253
Bank loan balance				<u>\$ 369,307</u>	<u>\$ 402,836</u>

XIV. Bonds payable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Domestic secured convertible corporate bonds	\$ 556,139	\$ 584,228
Less: Those due within one year	(<u>556,139</u>)	-
	<u>\$ -</u>	<u>\$ 584,228</u>

- (I) The Company issued the second tranche of domestic secured convertible corporate bonds on April 28, 2020, with a total issue size of NT\$600,000 thousand denominated in NT\$100 thousands with a coupon of 0% for a term of three years; the major issuance terms are as follows:

1. Issuance period: 2020/4/28~2023/4/28
2. Important Redemption Terms:
 - (1) If during the period between the day following 3 months after the issue date of the convertible corporate bonds and the day 40 days before the maturity date the closing price of the Company's common shares have been higher than the conversion price at the moment by 30% or more for 30 business days in a row, the Company may redeem its outstanding convertible corporate bonds at the bonds' face value with cash.
 - (2) If during the period between the day following 3 months after the issue date of the convertible corporate bonds and the day 40 days before the maturity date the balance of such convertible bonds outstanding was lower than the original issue size by 10% or more, the Company may redeem such outstanding convertible corporate bonds at the bonds' face value with cash.
3. Conversion method:
 - (1) Such convertible corporate bonds may be converted into the Company's common shares during the period between the day following three months after the issue date and the maturity date (i.e., between July 28, 2020 and April 28, 2023), except in the period during which conversion is suspended.
 - (2) Conversion price and its adjustment: The price for conversion into common shares upon issuance was NT\$52.7 per share; subsequent conversion price is adjusted according to the issuance terms; as of December 31, 2023, the conversion price was NT\$48.6.
4. Regarding the collateral for the Company's corporate bonds, please refer to note 27.
5. These convertible corporate bonds comprise a liability component and an equity component. The equity component is expressed under equity as capital surplus - convertible corporate bonds share subscription rights. The effective interest rate of the liability component upon initial recognition was about 0.8677%; the option is measured at fair value through profit and loss.

In April 2023, the company redeemed the matured outstanding convertible corporate bonds at face value with cash of NT\$480,000 thousand, and

transferred the equity component to "capital surplus - expired stock options" in the amount of NT\$26,266 thousand.

As of April 28, 2023, bondholders have converted these convertible corporate bonds amounting to NT\$120,000 thousand at face value into 2,433 thousand common shares of the Company.

In 2023, the Company already registered the change of corporate bonds in the amount of NT\$58,800 thousand and transferred NT\$12,098 thousand to share capital. In addition, due to exercise of the conversion rights attached to the corporate bonds, the "Capital surplus - convertible corporate bonds share subscription rights" decreased by NT\$3,217 thousand; discount on corporate bond payable decreased by NT\$9 thousand; and net conversion amount exceeded the face value of converted common shares, resulting in a transfer of NT\$49,910 thousand to "Capital surplus - additional paid-in capital from conversion of corporate bonds".

Issue proceeds (less transaction costs of NT\$5,370 thousand)	\$ 615,630
Equity component	(32,831)
Financial assets at fair value through profit or loss	715
Deferred tax assets	<u>1,074</u>
Liability component at issue date	584,588
Liability component as of January 1, 2023	537,629
Interest calculated at an effective rate of 0.8677%	1,162
Conversion of corporate bonds into common shares	(58,791)
Repayment upon maturity on April 28, 2023	(<u>480,000</u>)
Liability component as of December 31, 2023	<u>\$ -</u>

(II) The Company issued the third tranche of domestic secured convertible corporate bonds on September 5, 2022, with a total issue size of NT\$600,000 thousand denominated in NT\$100 thousands with a coupon of 0% for a term of three years; the major issuance terms are as follows:

1. Issuance period: September 5, 2022~September 5, 2025
2. Important Redemption Terms:
 - (1) If during the period between the day following 3 months after the issue date of the convertible corporate bonds and the day 40 days before the maturity date the closing price of the Company's common shares have been higher than the conversion price at the moment by 30% or more for 30 business days in a row, the Company may redeem its outstanding convertible corporate bonds at the bonds' face value with cash.

- (2) If during the period between the day following 3 months after the issue date of the convertible corporate bonds and the day 40 days before the maturity date the balance of such convertible bonds outstanding was lower than the original issue size by 10% or more, the Company may redeem such outstanding convertible corporate bonds at the bonds' face value with cash.
3. Conversion method:
 - (1) Such convertible corporate bonds may be converted into the Company's common shares during the period between the day following three months after the issue date and the maturity date (i.e., between December 6, 2022 and September 5, 2025), except in the period during which conversion is suspended.
 - (2) Conversion price and its adjustment: The price for conversion into common shares upon issuance was NT\$60.0 per share; subsequent conversion price is adjusted according to the issuance terms; as of December 31, 2024, the conversion price was NT\$56.
4. Regarding the collateral for the Company's corporate bonds, please refer to note 27.
5. These convertible corporate bonds comprise a liability component and an equity component. The equity component is expressed under equity as capital surplus - convertible corporate bonds share subscription rights. The liability component bore an effective interest rate of 1.5994% upon initial recognition.

In 2024, the company exercised the conversion rights of corporate bonds with a face value of NT\$37,900 thousand, transferring NT\$6,708 thousand to share capital. Additionally, due to the exercise of the conversion rights, the "Capital surplus - convertible corporate bonds share subscription rights" decreased by NT\$3,091 thousand; the discount on bonds payable decreased by NT\$840 thousand; and the net conversion amount exceeding the face value of the converted common shares was transferred to "Capital surplus - additional paid-in capital from conversion of corporate bonds" in the amount of NT\$33,443 thousand.

Issue proceeds (less transaction costs of NT\$5,307 thousand)	\$ 619,879
Equity component	(49,031)
Deferred tax assets	<u>1,061</u>
Liability component at issue date	571,909
Interest calculated at an effective rate of 1.5994%	<u>3,055</u>
Liability component as of January 1, 2023	574,964
Interest calculated at an effective rate of 1.5994%	<u>9,264</u>
Liability component as of January 1, 2024	584,228
Interest calculated at an effective rate of 1.5994%	8,971
Conversion of corporate bonds into common shares	(37,060)
Liability component as of December 31, 2024	<u>\$ 556,139</u>

XV. Accounts payable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Notes payable</u>		
Arising from operations	<u>\$ 218</u>	<u>\$ -</u>
<u>Accounts payable</u>		
Arising from operations	<u>\$ 40,053</u>	<u>\$ 25,452</u>

XVI. Other liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Current</u>		
Other payables		
Salary and bonus payable	\$ 24,732	\$ 22,775
Services expense payable	1,978	2,222
Insurance expense payable	1,944	1,974
Pension payable	1,421	1,394
Payable on machinery and equipment	215	1,288
Remuneration payable to employees and directors	-	5,995
Others	<u>4,311</u>	<u>5,288</u>
	<u>\$ 34,601</u>	<u>\$ 40,936</u>
Other current liabilities		
Receipts under custody	\$ 1,032	\$ 1,011
Others	<u>514</u>	<u>302</u>
	<u>\$ 1,546</u>	<u>\$ 1,313</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits received	<u>\$ 2</u>	<u>\$ 2</u>

XVII. Post-employment benefit plan

Defined contribution plan

The pension system that is specified in the "Labor Pension Act" and adopted by the Company is a defined contribution pension plan managed by the government. A pension contribution equal to 6% of employee's monthly wage is contributed to the personal labor pension account with the Bureau of Labor Insurance. For contribution appropriations in 2024 and 2023, please refer to Note 20 (6) Employee Welfare Expenses.

XVIII. Equity

(I) Ordinary share

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Authorized number of shares (in thousands)	<u>100,000</u>	<u>100,000</u>
Registered share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of issued and fully paid shares (in thousands)	<u>69,984</u>	<u>69,313</u>
Issued share capital	<u>\$ 699,840</u>	<u>\$ 693,132</u>

Each issued common share has a par value of NTD10 and is entitled to one vote and dividends.

(II) Capital surplus

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>May be used to cover losses, distribute cash, or replenish capital (Note)</u>		
Additional paid-in capital	\$ 500,222	\$ 535,052
Corporate bond conversion premium	135,327	101,884
Additional paid-in capital (transferred from employee share subscription rights)	570	570
<u>Only available for making up for losses</u>		
Convertible corporate bonds expired stock options (Note 14)	46,982	46,982
<u>May not be use for any purpose</u>		
Convertible corporate bonds expired stock options (Note 14)	<u>45,940</u>	<u>49,031</u>
	<u>\$ 729,041</u>	<u>\$ 733,519</u>

Note: These capital surplus may be used to make up for losses, to distribute cash dividends, or to be transferred into the capital if the Company is not in the red. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.

(III) Retained earnings and dividend policy

According to the dividend policy prescribed in the Company's Articles of Incorporation, in the event of surplus earnings after closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated for. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as legal reserve. The remainder may be set aside as special reserve, or the previous recognized special reserves may be reversed, in accordance with laws and regulations. If there is any remainder surplus, the Board of Directors shall draft a surplus distribution proposal regarding the remainder of the surplus as well as accumulated undistributed surplus. If the surplus is to be distributed in shares, a resolution by the shareholders' meeting is required. If the surplus is to be distributed in cash, a special resolution by the Board of Directors and a report at the shareholders' meeting are required. For the policy governing distribution of employee and director compensation that is prescribed in the Company's Articles of Incorporation, please refer to Note 20 (7) Compensation to employees and directors.

In addition, according to the dividend policy specified in the Company's Articles of Incorporation, dividends to be distributed shall be preferentially in shares, and may be in cash. In principle, cash dividends so distributed shall be no less than 10% of total dividends distributed; however, such percentage may be modified by a proposal from the Board of Directors and a resolution from the shareholders' meeting depending on the Company's operational status at present.

Legal reserve shall be provided until reaching the Company's paid-in capital. Legal reserve may be used to make up for losses. Where the Company is not in deficit, the part of the legal reserve that exceeds 25% of total paid-in capital may be appropriated as capital or distributed in cash.

The loss offset and earnings distribution proposals of the company for 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Legal reserve	\$ <u>-</u>	\$ <u>17,164</u>
Provided (reversed) special reserve	\$ <u>35,874</u>	(\$ <u>27,104</u>)
Cash dividend	\$ <u>-</u>	\$ <u>105,560</u>
Cash dividends per share (NT\$)	\$ <u>-</u>	\$ <u>1.55</u>

The cash dividend distribution was approved at the Board of Directors meeting on March 15, 2023. The distribution of other earnings items for the year 2022 was approved at the Annual Shareholders' Meeting on June 21, 2023. The allocation of profit and loss for the year 2023 was approved at the Annual Shareholders' Meeting on May 30, 2024. In addition, the company's shareholders meeting on May 30, 2024, resolved to distribute cash from the capital surplus of NT\$34,830 thousand, which was derived from the issuance of common stock at a premium over par value. A cash dividend of NT\$0.5 per share will be distributed. If there is a change in the number of outstanding shares, the chairman is authorized to adjust the cash dividend rate based on the actual number of outstanding shares as of the record date for the capital surplus distribution.

The loss offset for 2024 drafted at the parent company's Board of Directors meeting dated March 4, 2025 is as follows:

	<u>2024</u>
Reversal of special reserve	(\$ <u>86,303</u>)

In addition, the Board of Directors approved to distribute cash from capital surplus on March 4, 2025, distributing NT\$34,992, at a rate of NT\$0.5 per share.

The loss offset proposal for 2024 is expected to be voted upon at the shareholder's meeting on May 29, 2025.

(IV) Special reserve

The company has established and reversed special surplus reserves in accordance with the Financial Supervisory Commission's letter No. 1090150022 and the "Questions and Answers on the Application of Special Surplus Reserves After Adopting IFRS." The details of the special surplus reserves for the company for the years 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Provision upon adoption of IFRS for the first time	\$ 18,245	\$ 18,245
Provision as deductions to other equity interest	<u>172,679</u>	<u>136,805</u>
	<u>\$ 190,924</u>	<u>\$ 155,050</u>

(V) Other equity interest

1. Exchange differences on translation of foreign financial statements

	<u>2024</u>	<u>2023</u>
Balance - beginning of year	(\$ 172,386)	(\$ 134,609)
Increase in the year		
Share of exchange differences of subsidiaries accounted for using the equity method	88,036	(47,221)
Related income tax	(17,607)	9,444
Balance - end of year	(<u>\$ 101,957</u>)	(<u>\$ 172,386</u>)

2. Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income

	<u>2024</u>	<u>2023</u>
Balance - beginning of year	(\$ 293)	(\$ 2,196)
Increase in the year		
Unrealized gains and losses		
Equity instruments	-	(708)
Share in subsidiaries accounted for using the equity method	<u>15,874</u>	<u>2,611</u>
Balance - end of year	<u>\$ 15,581</u>	(<u>\$ 293</u>)

XIX. Income

	<u>2024</u>	<u>2023</u>
Revenue from contracts with customers		
Pneumatic components	\$ 365,093	\$ 364,443
Others	<u>69,599</u>	<u>63,571</u>
	<u>\$ 434,692</u>	<u>\$ 428,014</u>

(I) Contract balance

	December 31, 2024	December 31, 2023	January 1, 2023
Notes receivable and accounts receivable (Note 7)	<u>\$ 47,742</u>	<u>\$ 40,578</u>	<u>\$ 50,762</u>
Accounts receivable to related parties (Note 26)	<u>\$ 61,094</u>	<u>\$ 50,455</u>	<u>\$ 95,436</u>
Contract liabilities			
Product sales	<u>\$ 1,992</u>	<u>\$ 1,513</u>	<u>\$ 1,562</u>

Changes in contract liabilities mainly come from the difference between the points in time when the Company fulfills obligations and when customers make payments.

The amount that comes from the contract liabilities at the beginning of the year and the amount that comes from the revenue recognized in the year in which performance obligations were fulfilled are as follows:

	2024	2023
Product sales	<u>\$ 1,513</u>	<u>\$ 1,562</u>

(II) Breakdown of revenue from contracts with customers

The Company is engaged in a single industry; all revenue comes from sale of products.

XX. Profit from continuing operations

(I) Interest revenue

	2024	2023
Cash in banks	<u>\$ 2,615</u>	<u>\$ 2,276</u>

(II) Other income

	2024	2023
Government grants	\$ 1,667	\$ 123
Others	<u>111</u>	<u>642</u>
	<u>\$ 1,778</u>	<u>\$ 765</u>

(III) Other gains and losses

	2024	2023
Foreign currency exchange gains (losses)	\$ 5,784	(\$ 746)
Others	<u>(15)</u>	<u>-</u>
	<u>\$ 5,769</u>	<u>(\$ 746)</u>

(IV) Financial costs

	2024	2023
Interest on bank loan	\$ 15,771	\$ 14,162
Interest on convertible corporate bonds	<u>8,971</u>	<u>10,426</u>
	<u>\$ 24,742</u>	<u>\$ 24,588</u>

(V) Depreciation and amortization

	2024	2023
Property, plant and equipment	\$ 35,177	\$ 38,829
Intangible assets	<u>2,511</u>	<u>2,789</u>
Total	<u>\$ 37,688</u>	<u>\$ 41,618</u>

Summary of depreciation
expenses by function

Operating costs	\$ 28,162	\$ 32,578
Operating expenses	<u>7,015</u>	<u>6,251</u>
	<u>\$ 35,177</u>	<u>\$ 38,829</u>

Summary of amortization by
function

Operating expenses		
Selling expenses	\$ 46	\$ 61
Administration expenses	1,487	1,808
Research and development expenses	<u>978</u>	<u>920</u>
	<u>\$ 2,511</u>	<u>\$ 2,789</u>

(VI) Employee benefit expenses

	2024	2023
Short-term employee benefits	\$ 114,378	\$ 117,973
Post-retirement benefits		
Defined contribution plan	<u>5,743</u>	<u>5,896</u>
Total employee benefits expenses	<u>\$ 120,121</u>	<u>\$ 123,869</u>

Summary by function

Operating costs	\$ 50,872	\$ 54,501
Operating expenses	<u>69,249</u>	<u>69,368</u>
	<u>\$ 120,121</u>	<u>\$ 123,869</u>

(VII) Compensation to employees and directors

The Company takes the pre-tax profits inclusive of employee compensation and director compensation and allocate no greater than 5% of such profits as director compensation and 0.5%~5% of such profits as employee compensation. As the years 2024 and 2023 resulted in pre-tax net losses, no estimation of employee compensation and director remuneration has been made.

Any amount that changes after the approval and publication date of the annual parent company only financial statements is accounted for as changes in accounting estimates, and will be adjusted and recognized in the following year.

The employee compensation and director compensation distributed for 2023 and 2022 did not differ from the amount recognized in the parent company only financial statements for 2023 and 2022.

The information about compensation to employees and directors determined by the Board of Directors may be viewed at TWSE's Market Observation Post System (MOPS).

(VIII) Gains or losses on foreign currency exchange

	<u>2024</u>	<u>2023</u>
Total gains on foreign currency exchange	\$ 10,589	\$ 8,225
Total losses on foreign currency exchange	(<u>4,805</u>)	(<u>8,971</u>)
Net profit (loss)	<u>\$ 5,784</u>	(<u>\$ 746</u>)

XXI. Income tax attributable to continuing operations

(I) Income tax recognized in profit or loss

Major components of income tax expenses (benefit):

	<u>2024</u>	<u>2023</u>
Current income tax		
Tax incurred in the year	\$ 20,446	\$ 14,237
Additional levy on undistributed earnings	-	3,801
Adjustments for the previous year	(7,301)	(6,600)
Tax payment deducted from current period's repatriated overseas earnings	(15,137)	(8,946)
Investment deductions applied during the period	(<u>6,134</u>)	<u>-</u>
	(<u>8,126</u>)	<u>2,492</u>
Deferred tax		
Tax incurred in the year	<u>4,719</u>	(<u>1,551</u>)
Income tax expenses (benefit) recognized in profit or loss	(<u>\$ 3,407</u>)	<u>\$ 941</u>

The difference between accounting income and current income tax expense (benefit) is reconciled as follows:

	<u>2024</u>	<u>2023</u>
Profit (losses) before tax of continuing operations	(<u>\$ 63,315</u>)	(<u>\$ 34,014</u>)
Income tax derived from applying the statutory tax rate to income (losses) before tax	(\$ 12,663)	(\$ 6,803)
Expense and loss not deductible from tax	1,795	2,084
Additional levy on undistributed earnings	-	3,801
Unrecognized deductible temporary differences	36,033	17,405
Adjustments of current income tax expenses of previous years in the current year	(7,301)	(6,600)
Tax payment deducted from current period's repatriated overseas earnings	(15,137)	(8,946)
Investment deductions applied during the period	(<u>6,134</u>)	<u>-</u>
Income tax expenses (benefit) recognized in profit or loss	(<u>\$ 3,407</u>)	<u>\$ 941</u>

(II) Income tax recognized in other comprehensive income

	<u>2024</u>	<u>2023</u>
<u>Deferred tax</u>		
Tax incurred in the year		
Translation of financial statements of foreign operations	(\$ 17,607)	\$ 9,444

(III) Current income tax assets and liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Current income tax assets		
Refundable tax amounts	\$ 9,624	\$ -
Current tax liabilities		
Income tax payable	\$ 885	\$ 6,737

(IV) Deferred tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2024

	Balance - beginning of year	Recognized in P/L	Recognized in other comprehensive income	Balance - end of year
<u>Deferred tax assets</u>				
Temporary difference				
Loss on inventory devaluation	\$ 14,655	(\$ 2,813)	\$ -	\$ 11,842
Unrealized foreign exchange loss	251	(251)	-	-
Unrealized gross profit on sales to subsidiaries	4,856	(555)	-	4,301
Exchange difference on translation of foreign financial statements	43,095	-	(17,607)	25,488
Issuance cost of convertible corporate bonds	589	(354)	-	235
	<u>\$ 63,446</u>	<u>(\$ 3,973)</u>	<u>(\$ 17,607)</u>	<u>\$ 41,866</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized foreign exchange gains	\$ -	\$ 746	\$ -	\$ 746

2023

	Balance - beginning of year	Recognized in P/L	Recognized in other comprehensive income	Balance - end of year
<u>Deferred tax assets</u>				
Temporary difference				
Loss on inventory devaluation	\$ 8,853	\$ 5,802	\$ -	\$ 14,655
Unrealized foreign exchange loss	-	251	-	251
Unrealized gross profit on sales to subsidiaries	9,149	(4,293)	-	4,856
Exchange difference on translation of foreign financial statements	33,651	-	9,444	43,095
Issuance cost of convertible corporate bonds	<u>1,032</u>	<u>(443)</u>	<u>-</u>	<u>589</u>
	<u>\$ 52,685</u>	<u>\$ 1,317</u>	<u>\$ 9,444</u>	<u>\$ 63,446</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Unrealized foreign exchange gains	<u>\$ 234</u>	<u>(\$ 234)</u>	<u>\$ -</u>	<u>\$ -</u>

- (V) Total temporary differences which are related to investments and for which no deferred tax liability is recognized

As of December 31, 2024 and 2023, total temporary differences which are related to investments and for which no deferred tax liability is recognized amounted to NT\$1,100,215 thousand and NT\$1,280,380 thousand, respectively.

- (VI) Authorization of income tax

The profit-seeking enterprise income tax returns filed by the Company have been approved by the tax competent authority through 2022; the amount approved did not deviate significantly from the amount filed.

XXII. Losses per share

	2024	2023
Basic losses earnings per share		
From continuing operations	(\$ 0.86)	(\$ 0.51)

Unit: NT\$1 per share

The net loss for the year and the weighted average number of common shares used for calculating basic loss per share are as follows:

Net losses in the current year

	2024	2023
Net losses in the current year	(\$ 59,908)	(\$ 34,955)

Number of shares Unit: in thousands of shares

	<u>2024</u>	<u>2023</u>
Weighted average number of common shares used for calculating basic loss per share	<u>69,747</u>	<u>68,862</u>

When having an option to distribute shareholder compensation in shares or in cash, the Company assumes that employee compensation is entirely settled in shares and counts the resulting potential common shares towards the weighted average number of outstanding shares when such potential common shares are deemed dilutive, so as to calculate the diluted earnings per share. The Company continues to consider the dilutive effect of such potentially dilutive common shares when calculating the diluted EPS before the number of shares to be distributed as employee compensation is determined by the Board of Directors in the following year. Due to post-tax net loss for the Company in the fiscal years 2024 and 2023, which has an anti-dilutive effect, diluted earnings per share are not calculated.

XXIII. Cash flow information

The Company carried out the following investing activities and financing activities other than cash transactions in 2024 and 2023:

(I) Investing activities via cash transactions

	<u>2024</u>	<u>2023</u>
Partial cash payment for acquisition of property, plant, and equipment		
Acquisition of property, plant, and equipment	\$ 12,159	\$ 22,422
Net change in payable on machinery and equipment	<u>1,073</u>	<u>1,868</u>
Cash payments	<u>\$ 13,232</u>	<u>\$ 24,290</u>

(II) Changes in liabilities arising from financing activities

2024

	Balance - beginning of year	Cash flow	Non-cash changes Equity component	Amortization of interest expense	Balance - end of year
Short-term borrowings	\$ 200,000	(\$ 20,000)	\$ -	\$ -	\$ 180,000
Bonds payable (including the current portion)	584,228	-	(37,060)	8,971	556,139
Long-term borrowings (including the current portion)	<u>402,836</u>	<u>(33,529)</u>	<u>-</u>	<u>-</u>	<u>369,307</u>
	<u>\$ 1,187,064</u>	<u>(\$ 53,529)</u>	<u>(\$ 37,060)</u>	<u>\$ 8,971</u>	<u>\$ 1,105,446</u>

2023

	Balance - beginning of year	Cash flow	Non-cash changes		Balance - end of year
			Equity component	Amortization of interest expense	
Short-term borrowings	\$ 60,000	\$ 140,000	\$ -	\$ -	\$ 200,000
Bonds payable (including the current portion)	1,112,593	(480,000)	(58,791)	10,426	584,228
Long-term borrowings (including the current portion)	76,325	326,511	-	-	402,836
	<u>\$ 1,248,918</u>	<u>(\$ 13,489)</u>	<u>(\$ 58,791)</u>	<u>\$ 10,426</u>	<u>\$ 1,187,064</u>

XXIV. Capital risk management

The Company conducts capital management to ensure the Company can continue as a going concern while maximizing shareholders' return by optimizing the liability and equity balances. The Company's overall strategy has remained the same as in recent years.

The Company's capital structure is composed of the net debt attributable to owners of the Company (i.e., borrowings less cash) and equity (i.e., share capital, capital surplus, retained earnings, and other equity items).

The Company is not subject to other external capital requirements.

The key management of the Company reviews its capital structure periodically for the cost and risks of each capital category. The Company heeds the advice of its key management and strikes a balance in its capital structure via paying dividends, issuing new shares, and taking out loans from financial institutions.

XXV. Financial instruments

(I) Fair value information — financial instruments not measured at fair value

December 31, 2024

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Financial liability</u>					
Financial liabilities at amortized cost					
- Convertible corporate bonds	<u>\$ 556,139</u>	<u>\$ 556,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 556,538</u>

December 31, 2023

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial liability</u>					
Financial liabilities at amortized cost					
- Convertible corporate bonds	<u>\$ 584,228</u>	<u>\$ 586,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 586,080</u>

The Company's management believes it true that the carrying amount of financial assets and financial liabilities recognized under the parent company only financial statements, except convertible corporate bonds, approximate their fair value.

- (II) Fair value information — financial instruments measured at fair value on a recurring basis

1. Reconciliation of the financial instruments measured at Level 3 fair value

2023

Financial asset	Financial Assets at Fair Value through Other Comprehensive Income Equity instruments
Balance - beginning of year	\$ 708
Recognized in other comprehensive income (unrealized valuation gains and losses on financial assets measured at fair value through other comprehensive income)	(708)
Balance - end of year	\$ -

2. Level 3 fair value valuation techniques and inputs

Financial instrument category	Valuation techniques and inputs
Convertible corporate bond option	Binary tree convertible bond evaluation model: The model simultaneously considers the duration of corporate bonds, the price and fluctuation of price of shares underlying the convertible corporate bonds, conversion price, risk-free interest rate, risk discount rate, and liquidity risk of convertible bonds.
Domestic shares not traded on an exchange or OTC	The fair value is inferred from the net worth indicated on investees' latest financial statements and by using the marketing approach, and is determined by referring to the valuation of comparable companies of the same type and by inferring from investees' operations.

(III) Type of financial instruments

	December 31, 2024	December 31, 2023
<u>Financial asset</u>		
Measured at amortized cost (Note 1)	\$ 552,711	\$ 454,817
<u>Financial liability</u>		
Measured at amortized cost (Note 2)	1,165,750	1,231,655

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, notes receivable, accounts receivable , other

receivables (excluding tax refund receivables), and guarantee deposits paid.

Note 2: The balance includes financial liabilities measured at amortized cost, e.g., short-term borrowings, notes payable, accounts payable (including those due from related parties), bonds payable (including the current portion), other payables (excluding wages and salary payable, bonuses, pensions payable, labor and health insurance payable, business tax payable, employee compensation payable, and director compensation payable), long-term borrowings (including the current portion), and guarantee deposits received.

(IV) Financial risk management purpose and policy

The Company's major financial instruments include cash and cash equivalents, notes receivable, receivables, short-term borrowings, payables, bonds payable, and long-term borrowings. The said financial instruments are inherent to financial risks related to operations, market risk (including exchange rate risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

1. Market risks

The financial risks inherent in the Company's operations are mainly foreign currency exchange rate change risk (see (1) below) and interest rate change risk (see (2) below).

(1) Foreign exchange risks

The Company is engaged in sale and purchase denominated in foreign currency, thus exposing itself to the exchange rate fluctuation risk. The Company manages its exchange rate risk exposure by hedging such risk using its net position in foreign reserves, to an extent permitted by its policy.

For the carrying amount of the Company's monetary assets and monetary liabilities denominated in a currency other than the functional currency on the balance sheet date, refer to Note 29.

Sensitivity Analysis

The Company is mainly impacted by any changes in the USD and CNY exchange rates.

The following table is an analysis of the Company's sensitivity to an increase/decrease of 1% in TWD (i.e., functional currency) against each

relevant foreign currency. 1% is the level of sensitivity that is adopted by the Company when reporting to its key management on exchange rate risks, and denotes the management's estimate of a reasonable range within which foreign exchange rate may vary. The sensitivity analysis includes only the foreign currency monetary items outstanding, which are converted at the end of year by using an exchange rate that could be adjusted by 1%. The positive number in the table below means the increase in pre-tax profits or equity if TWD depreciates by 1% against each relevant foreign currency. Conversely, if TWD appreciates by 1% against each relevant foreign currency, the effects on the pre-tax profits or equity will be a negative number of the same amount.

	Effects of USD		Effects of CNY	
	2024	2023	2024	2023
Profit or loss	\$ 324 (i)	\$ 311 (i)	\$ 2,080 (ii)	\$ 579 (ii)

- (i) Mainly comes from the Company's USD-denominated cash, cash equivalents, receivables, and payables that are still in outstanding at the balance sheet date and not covered by any cash flow hedge.
- (ii) Mainly comes from the Company's CNY-denominated cash, cash equivalents, receivables, and payables that are still in outstanding at the balance sheet date and not covered by any cash flow hedge.

(2) Interest rate risk

The carrying amount of the financial assets and liabilities of the Company that were exposed to the interest rate risk on the balance sheet date is as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
With fair value interest rate risk		
- Financial asset	\$ 50,502	\$ 79,930
- Financial liability	656,139	634,228
With cash flow interest rate risk		
- Financial asset	386,557	272,730
- Financial liability	449,307	552,836

Sensitivity Analysis

The following sensitivity analysis is based on the interest risk exposure of non-derivatives on the balance sheet date. Floating-rate

liabilities are analyzed based on the assumption that the liability amount outstanding on the balance sheet date remains outstanding throughout the reporting period. 1% is the level of sensitivity that is adopted by the Company when reporting to its key management on interest rate risks, and denotes the management's estimate of a reasonable range within which interest rate may vary.

If the annual interest rate increases/decreases by 1%, held all other variables constant, the Company's net profit (loss) before tax in 2024 and 2023 will decrease/increase by NT\$628 thousand and NT\$2,801 thousand, respectively, mainly due to the interest rate risk exposure from the Company's floating-rate bank deposits and bank borrowings.

The decrease in interest rate sensitivity for the current period is due to the reduction in long-term borrowings with floating interest rates.

2. Credit risk

The credit risk means the risk of causing financial loss to the Company because the trading counterparty defaults on contractual obligations. As of the balance sheet date, the Company's maximum credit risk exposure to the financial loss caused by a trading counterparty's defaulting on his/her performance obligations mainly lies in the carrying amount of the financial assets recognized on the parent company only balance sheet.

According to its policy, the Company only trades with reputational counterparties and requires provision of collateral where necessary to reduce the risk of financial loss due to default. The Company ranks the creditworthiness of major customers by referring to credit rating reports provided by independent rating agencies, other publicly available financial information, transaction records between the Company and such customers. The Company continuously monitors its credit risk exposure and the credit rating of transaction counterparties, and controls the credit risk by having authorized officers review and approve the credit limit assigned to counterparties.

The Company continuously assesses the financial position of customers from which accounts receivable are due. In addition, the Company reviews the recoverable amount of receivables item by item on the balance sheet date to ensure that proper impair loss has been provided for uncollectable receivables.

The Company's credit risk mainly comes from its five largest customers. As of December 31, 2024 and 2023, the proportion of total accounts receivable from the five largest customers was respectively 65% and 66% for each year.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to fund its business operations and reduce the effect of the fluctuating cash flow. The management of the Company monitors the use of bank financing facilities and ensures compliance with the terms of the loan contract.

Bank loans are one of the Company's important sources of liquidity reserves. For the bank credit facility that the Company has not used as of December 31, 2024 and 2023, refer to relevant descriptions in (2) Credit facilities. In addition, the Company plans to issue corporate bonds to repay bank borrowings, which is expected to reduce current liabilities and achieve the goal of managing liquidity risk as of December 31, 2024.

(1) Liquidity and interest rate risks of non-derivative financial liabilities in tabular format

The table of maturity analysis of the Company's outstanding contracts of non-derivative financial liabilities is compiled based on undiscounted cash flows (including principal and estimated interest) arising from the financial liabilities on the earliest possible date on which the Company will be demanded to repay. Therefore, the banks loans that the Company is able to repay on demand are those listed in the earliest period in the following table, without considering the possibility that banks will immediately call the loans. The table of maturity analysis of other non-derivative financial assets is based on repayment date specified in contracts.

December 31, 2024

	Pay-on-demand or due within one month	1~3 months	3 months~ 1 year	1~5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
No interest-bearing debt	\$ 10,676	\$ 32,465	\$ 17,161	\$ 2	\$ -
Short-term borrowings	183,310	-	-	-	-
Long-term borrowings (including the current portion)	3,420	6,840	67,879	288,898	22,072
Bonds payable (including the current portion)	-	-	562,100	-	-
	<u>\$ 197,406</u>	<u>\$ 39,305</u>	<u>\$ 647,140</u>	<u>\$ 288,900</u>	<u>\$ 22,072</u>

December 31, 2023

	Pay-on-demand or due within one month	1~3 months	3 months~ 1 year	1~5 years	More than 5 years
<u>Non-derivative financial liabilities</u>					
No interest-bearing debt	\$ 21,823	\$ 18,425	\$ 4,341	\$ 2	\$ -
Short-term borrowings	202,218	-	-	-	-
Long-term borrowings (including the current portion)	3,410	6,821	42,062	294,895	81,626
Bonds payable (including the current portion)	-	-	-	600,000	-
	<u>\$ 227,452</u>	<u>\$ 25,246</u>	<u>\$ 46,403</u>	<u>\$ 894,897</u>	<u>\$ 81,626</u>

The amount of floating-rate instruments classified as non-derivative financial liabilities will change due to the difference between the floating rate and the interest rate estimated on the balance sheet date.

(2) Credit limit of financing facilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Credit limit of secured bank financing facilities		
- Amount used	\$ 369,307	\$ 402,836
- Unused amount	<u>-</u>	<u>-</u>
	<u>\$ 369,307</u>	<u>\$ 402,836</u>
Credit limit of unsecured bank financing facilities		
- Amount used	\$ 180,000	\$ 200,000
- Unused amount	<u>700,000</u>	<u>580,000</u>
	<u>\$ 880,000</u>	<u>\$ 780,000</u>

The Company issued the second and third tranche of domestic convertible corporate bonds on April 28, 2020 and September 5, 2022 respectively with an issue size of NT\$600,000 thousand each guaranteed by banks.

XXVI. Related Party Transaction

The transactions between the Company and related parties are as follows.

(I) Name and relationship of related party

<u>Name of related party</u>	<u>Relationship with the Company</u>
CHELIC TECHNOLOGY (THAILAND) CO., LTD.	Subsidiary
SHANGHAI CHELIC PNEUMATIC CORP.	Sub-subsidiary
SHENZHEN CHELIC PNEUMATIC CORP.	Sub-subsidiary
AIR AUTOMATIC CORPORATION	Substantive related party
Shanghai Bangye Pneumatic & Hydraulic Components Co., Ltd.	Substantive related party

(II) Operating revenue

<u>Recorded items</u>	<u>Name and type of related party</u>	<u>2024</u>	<u>2023</u>
Sales revenue	<u>Subsidiary</u>		
	Others	\$ 6	\$ -
	<u>Sub-subsidiary</u>		
	SHANGHAI CHELIC PNEUMATIC CORP.	153,459	152,171
	SHENZHEN CHELIC PNEUMATIC CORP.	85,350	89,408
	<u>Substantive related party</u>		
	Others	<u>19,193</u>	<u>15,732</u>
		<u>\$ 258,008</u>	<u>\$ 257,311</u>

Standardized products sold to related parties are priced at the costs plus a markup. Products of special specifications sold to related parties are priced based on negotiation. The payment collection method is T/T 120 days. Products sold to general non-related parties are priced based on negotiation; proceeds will be collected on a net 30~180 end of the month (EOM) basis.

(III) Purchase

<u>Name and type of related party</u>	<u>2024</u>	<u>2023</u>
<u>Sub-subsidiary</u>		
SHANGHAI CHELIC PNEUMATIC CORP.	\$ 56,425	\$ 46,254
<u>Substantive related party</u>		
Others	<u>79</u>	<u>28</u>
	<u>\$ 56,504</u>	<u>\$ 46,282</u>

Purchase is priced at costs plus a markup; the payment term is T/T 90 days. Products sold to general non-related parties are priced based on negotiation; proceeds will be collected on a net 45~90 end of the month (EOM) basis.

(IV) Receivables due from related parties (excluding loans to related parties)

<u>Recorded items</u>	<u>Name and type of related party</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable due from related parties	<u>Subsidiary</u>		
	Others	\$ 6	\$ -
	<u>Sub-subsidiary</u>		
	SHANGHAI CHELIC PNEUMATIC CORP.	33,714	27,650
	SHENZHEN CHELIC PNEUMATIC CORP.	20,722	19,577
	<u>Substantive related party</u>		
	Others	6,652	3,228
		<u>\$ 61,094</u>	<u>\$ 50,455</u>

No security was requested for the outstanding receivables due from related parties. No impairment loss has been recognized for receivables from related parties in 2024 and 2023, as the credit policy does not require it.

(V) Payables to related parties (excluding loans from related parties)

<u>Recorded items</u>	<u>Name and type of related party</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts payable to related parties	<u>Sub-subsidiary</u>		
	SHANGHAI CHELIC PNEUMATIC CORP.	<u>\$ 13,527</u>	<u>\$ 10,339</u>

The outstanding balance of the payables due to related parties was not secured against collateral.

(VI) Rewards for key management

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 13,965	\$ 15,544
Post-retirement benefits	489	449
	<u>\$ 14,454</u>	<u>\$ 15,993</u>

The remuneration to directors and other key management was decided by the Remuneration Committee according to personal performance and market trends.

XXVII. Pledged and Mortgaged Assets

The following assets have been provided as collateral against financing borrowings and corporate bonds payable:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Property, plant and equipment		
Self-owned land	\$ 262,264	\$ 262,264
Buildings	<u>323,233</u>	<u>323,233</u>
	<u>\$ 585,497</u>	<u>\$ 585,497</u>

XXVIII. Significant Subsequent Events :

The company, on March 4, 2025, resolved in the board meeting to issue the fourth tranche of domestic secured convertible corporate bonds, with a total issue size of up to NT\$500,000 thousand, denominated in NT\$100 thousand per bond, with a coupon rate of 0%. The issuance price is tentatively set between 100% and 103.5% of the face value, and the bond term is three years. The major issuance terms are as follows:

XXIX. Information on foreign currency assets and liabilities with significant influence

The following information is summarized and stated based on the foreign currencies other than the functional currency of the Company. The disclosed exchange rate represents the exchange rate of such foreign currency against the functional currency. Foreign currency assets and liabilities with significant influence are as follows:

December 31, 2024

	<u>Foreign currency</u>	<u>Foreign exchange rate</u>	<u>Carrying amount</u>
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	\$ 987	32.7850 (USD: TWD)	\$ 32,379
CNY	49,476	4.4780 (CNY: TWD)	221,553
JPY	367	0.2099 (JPY: TWD)	77
<u>Non-monetary items</u>			
Investment accounted for using the equity method			
USD	46,616	32.7850 (USD: TWD)	1,528,309
CNY	211,285	4.4780 (CNY: TWD)	946,135
THB	23,619	0.9623 (THB: TWD)	22,729
<u>Financial liability</u>			
<u>Monetary items</u>			
CNY	3,021	4.4780 (CNY: TWD)	13,526

December 31, 2023

	<u>Foreign currency</u>	<u>Foreign exchange rate</u>	<u>Carrying amount</u>
<u>Financial asset</u>			
<u>Monetary items</u>			
USD	\$ 1,013	30.7050 (USD: TWD)	\$ 31,119
CNY	15,772	4.3270 (CNY: TWD)	68,247
JPY	822	0.2172 (JPY: TWD)	179
<u>Non-monetary items</u>			
Investment accounted for using the equity method			
USD	53,390	30.7050 (USD: TWD)	1,639,325
CNY	209,657	4.3270 (CNY: TWD)	907,184
<u>Financial liability</u>			
<u>Monetary items</u>			
CNY	2,389	4.3270 (CNY: TWD)	10,339

Realized and unrealized exchange gains (losses) on foreign currency items with significant influence are as follows:

Foreign currency	2024		2023	
	Foreign exchange rate	Net exchange gains (losses)	Foreign exchange rate	Net exchange gains (losses)
USD	32.112(USD: TWD)	\$ 1,867	31.16(USD: TWD)	(\$ 736)
CNY	4.454(CNY: TWD)	\$ 3,506	4.396(CNY: TWD)	\$ 20

XXX. Supplementary Disclosures

(I) Information on Major transactions and (2) Information on Investees

1. Loans to Others. (Table 1)
2. Making Endorsements/Guarantees for Others. (None)
3. Marketable Securities Held at the End of the Period (Excluding Investment in Subsidiaries, Affiliated Companies, and the Control Portion in a Joint Venture). (Table 2)
4. Aggregate Purchases or Sales of the Same Securities Reaching NT\$300 Million or 20 Percent of Paid-in Capital or More. (None)
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. Purchase or Sale of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More. (Table 3)
8. Accounts Receivable from Related Parties Reaching NT\$100 Million or 20 Percent of Paid-in Capital or More. (Table 4)
9. Engagement in Derivatives Trading. (None)
10. Information on Investees. (Table 5)

(III) Information on Investments in Mainland China:

1. Information on the Investee Company, Showing the Name, Principal Business Activities, Paid-in Capital, Method of Investment, Inward and Outward Remittance of Funds, Shareholding Ratio, Profit or Loss for the Period and Recognized 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 Area. (Table 6)

2. Any of the Following Significant Transactions with Investee Companies in the Mainland Area, Either Directly or Indirectly through a Third Area, and Their Prices, Payment Terms, and Unrealized Gains or Losses: Tables 6
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (3) The amount of property transactions and the amount of the resultant gains or losses.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (5) The highest balance, the end of period balance, the interest rate range, and total interest of the current period with respect to financing of funds.
 - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (IV) Information on Major Shareholders: The Names, Number of Shares Held, and Shareholding Percentages of Shareholders Who Hold 5 Percent or More of the Company's Equity. (Table 7)

TAIWAN CHELIC CO., LTD.

Loans to Others

January 1, 2024 through December 31, 2024

Table 1

Unit: Thousands of TWD and foreign currencies

Note number (Note 1)	Lending company	Borrowing company	Transaction item	Whether a related party or not	The highest balance in this period (Note 2)	Ending balance (Note 2)	Drawdown	Interest rate range%	Nature of loaning of funds (Note 3)	Business transaction amount	Reasons for the need of short-term financing	Appropriated allowance for bad debt	Collateral		Cap on the amount of loans to a single party	Cap on the total amount of loans
													Name	Value		
0	TAIWAN CHELIC CO., LTD.	CHELIC TECHNOLOGY (THAILAND) CO., LTD.	Other receivables due from related parties	Yes	\$ 20,000	\$ 20,000	\$ -	-	-	\$ -	Working capital	\$ -	None	-	\$ 282,277 (Note 5)	\$ 1,129,106 (Note 5)
1	SHANGHAI CHELIC PNEUMATIC CORP.	CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD	Other receivables due from related parties	Yes	134,340 RMB 30,000	134,340 RMB 30,000	134,340 RMB 30,000	2.5%	2	-	Working capital	-	None	-	556,581 (Note 4)	556,581 (Note 4)
1	SHANGHAI CHELIC PNEUMATIC CORP.	ZHEJIANG BANGYE AUTOMATION TECHNOLOGY CO.,LTD.	Other receivables due from related parties	Yes	67,170 RMB 15,000	44,780 RMB 10,000	8,060 RMB 1,800	3.9%	2	-	Working capital	-	None	-	139,145 (Note 5)	556,581 (Note 5)

Note 1: 0 for issuers.

Investees are numbered starting from "1".

Note 2: The highest amount in the period and the ending balance are the amounts approved by the Board of Directors.

Note 3: "1" for business counterparties.

"2" for a necessary need for short-term financing.

Note 4: The term of any necessary short-term loaning of funds between the Company and a foreign company whose 100% voting rights are held directly or indirectly by the Company shall be no longer than one year. Loaning of funds to an individual entity shall be no greater than 40% of the lending company's net worth indicated in its latest financial statements audited or reviewed by CPAs; loaning of funds shall be no greater than 40% of the lending company's net worth indicated in its latest financial statements audited or reviewed by CPAs.

Note 5: When the Company engages in loaning of funds with entities other than a foreign company whose 100% voting rights are held directly or indirectly by the Company, the amount of loaning of funds to a single entity shall not exceed 10% of the lending company's net worth indicated in its latest financial statements audited or reviewed by CPAs, and the total amount of loaning of funds to all entities shall not exceed 40% of the lending company's net worth indicated in its latest financial statements audited or reviewed by CPAs.

TAIWAN CHELIC CO., LTD.
Marketable Securities Held at the End of Period
December 31, 2024

Table 2

(In thousands of shares and thousands of TWD)

Investor	Type and name of marketable securities	Relationship with the securities issuer	Account	Ending				Remark
				Number of shares	Carrying amount	Shareholding percentage	Fair value	
TAIWAN CHELIC CO., LTD.	AIR AUTOMATIC CORPORATION	Directors of the Company are directors of the company	Financial assets at fair value through other comprehensive income - non-current	216	\$ -	18%	\$ -	Note 1
SHANGHAI CHELIC PNEUMATIC CORP.	Shanghai Bangye Pneumatic & Hydraulic Components Co., Ltd.	Substantive related party	"	-	38,658	18%	38,658	Note 1

Note 1: If there is no market price for unlisted (over-the-counter) shares for reference, the market price for such shares is estimated using fair value valuation techniques.

Note 2: For information on investment in subsidiaries, please refer to Table 5 and Table 6.

TAIWAN CHELIC CO., LTD.

Purchase or Sale of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More.

January 1, 2024 through December 31, 2024

Table 3

Unit: NT\$1,000

Purchase from (sale to)	Transaction counterparty	Relationship	Transaction details				Occurrence of transaction terms other than those for an arm's length transaction and reasons therefor		Notes/Accounts receivable (payable)		Remark
			Purchase (sales)	Amount	Ratio to total purchase (sales)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable)	
TAIWAN CHELIC CO., LTD.	SHANGHAI CHELIC PNEUMATIC CORP.	Sub-subsidiary	Sale	(\$ 153,459)	(35%)	T/T 120 days	Note 1	Note 2	\$ 33,714	31%	
CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD	SHENZHEN CHELIC PNEUMATIC CORP.	Affiliated company	Sale	(133,304)	(91%)	T/T 120 days	Note 1	Note 2	38,766	93%	
SHANGHAI CHELIC PNEUMATIC CORP.	CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD	Affiliated company	Sale	(129,684)	(21%)	T/T 120 days	Note 1	Note 2	48,001	25%	
ZHEJIANG BANGYE AUTOMATION TECHNOLOGY CO.,LTD.	Shanghai Bangye Pneumatic & Hydraulic Components Co., Ltd.	Substantive related party	Sale	(122,943)	(21%)	T/T 120 days	Note 1	Note 2	30,181	21%	
SHANGHAI CHELIC PNEUMATIC CORP.	TAIWAN CHELIC CO., LTD.	Ultimate parent company	Purchase	153,459	45%	T/T 120 days	Note 1	Note 2	(33,714)	(34%)	
SHENZHEN CHELIC PNEUMATIC CORP.	CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD	Affiliated company	Purchase	133,304	55%	T/T 120 days	Note 1	Note 2	(38,766)	(61%)	
CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD	SHANGHAI CHELIC PNEUMATIC CORP.	Affiliated company	Purchase	129,684	98%	T/T 120 days	Note 1	Note 2	(48,001)	(94%)	

- Note 1: Transactions of standardized products among affiliated enterprises are priced at the costs plus a markup. Transactions of products of special specifications among affiliated enterprises are priced based on negotiation. The price for transactions with non-related parties is based on negotiation.
- Note 2: Proceeds from sale to general non-related party are collected on a net 30~180 end of month (EOM) basis; Proceeds for purchase from general non-related party are paid on a net 45~90 end of month (EOM) basis.

TAIWAN CHELIC CO., LTD.

Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more

December 31, 2024

Table 4

Unit: NT\$1,000

Companies from which the accounts receivable are due	Transaction counterparty	Relationship	Balance of receivables due from related parties	Turnover	Receivables due from related parties past due		Receivables due from related parties retrieved after the reporting period	Appropriated allowance for bad debt
					Amount	Actions taken		
SHANGHAI CHELIC PNEUMATIC CORP.	CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD	Subsidiary to subsidiary	\$ 134,340 (Includes interest receivable)	Note	\$ -	-	\$ -	\$ -

Note: As receivables from loans provided, it is not applicable for calculating turnover days.

TAIWAN CHELIC CO., LTD.

Information on investee name, location, ...

January 1, 2024 through December 31, 2024

Table 5

Unit: NT\$1,000

Name of investor	Investee	Region	Main business line	Original investment amount		Ending			Profit and loss of the investee for the current period	Recognition of investment gains or losses in the current period	Remark
				End of this period	End of last year	Number of shares	Percentage %	Carrying amount			
TAIWAN CHELIC CO., LTD.	FULL ASSET GROUP L.L.C.	USA	Holding company	USD 11,635	USD 11,635	-	100	\$ 1,350,446	(\$ 53,888)	(\$ 52,262)	Note 1 and Note 2
	FULLTEK GROUP L.L.C.	USA	Holding company	USD 5,000	USD 5,000	-	100	26,990	(1,825)	(1,825)	Note 2
	Smart Technology Investment Co., Ltd.	British Virgin Islands	Holding company	USD 4,218	USD 4,218	50	100	150,873	4,156	4,156	Note 2
	CHELIC (BVI) Corp.	British Virgin Islands	Holding company	RMB 179,500	RMB 179,500	27	100	946,135	7,254	7,254	Note 2
	CHELIC TECHNOLOGY (THAILAND) CO., LTD.	Thailand	Manufacture and sale of pneumatic equipment	24,142	-	2,495	99.8	22,729	(1,221)	(1,219)	Note 2 and Note 4

Note 1: It denotes the investment loss of NT\$53,888 thousand plus the realized gross profit of NT\$2,322 thousand from upstream transactions at the beginning of the period, less the unrealized gross profit of NT\$696 thousand from upstream transactions at the end of the period.

Note 2: It was calculated based on financial statements in the same period that were audited by CPAs.

Note 3: For information on investees in mainland China, see Table 6.

Note 4: CHELIC TECHNOLOGY (THAILAND) CO., LTD. completed its registration in September 2024. As of December 31, 2024, the company has invested a total of NTD24,142 thousand. Please refer to note 9.

TAIWAN CHELIC CO., LTD.
Information on Investments in Mainland China
January 1, 2024 through December 31, 2024

Table 6

Unit: Thousands of TWD / Thousands of foreign currencies

Information on the Investee Company in 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, and Repatriated Investment Gains:

Investee in Mainland China	Main business line	Paid-in capital	Method of investment	Accumulated amount of investments from Taiwan at the beginning of current year	Inward or outward investment amount in the period		Accumulated amount of investments from Taiwan at the end of current year	Profit and loss of the investee for the current period	The Company's direct or indirect shareholding	Recognition of investment gains or losses in the current period	Investment book value at the end of the year	Investment gains remitted back as of the end of the period
					Outward	Inward						
SHANGHAI CHELIC PNEUMATIC CORP.	Manufacture and sale of pneumatic equipment	\$ 375,600	Note 2(2)(1)	\$ 360,437	\$ -	\$ -	\$ 360,437	(\$ 39,754) (RMB -8,925)	100	(\$ 39,754) (RMB -8,925) Note 1(2)(2)	\$ 1,391,453 (RMB 310,731)	\$ 216,869 (RMB 48,565)
GENTEK AUTOMATION (SHANGHAI) CORP	Manufacture of pneumatic equipment	151,375	Note 2(2)(2)	151,375	-	-	151,375	(1,825) (RMB -410)	100	(1,825) (RMB -410) Note 1(2)(2)	26,868 (RMB 6,000)	
SHANGHAI SHINNING ELECTRONICS CO., LTD.	Real estate lease	164,999	Note 2(2)(3)	127,700	-	-	127,700	11,687 (RMB 2,624)	100	11,687 (RMB 2,624) Note 1(2)(2)	206,921 (RMB 46,208)	
SHENZHEN CHELIC PNEUMATIC CORP.	Sale of pneumatic equipment	99,900 (Note 3)	Note 2(3)(1)	-	-	-	-	1,464 (RMB 329)	100	1,464 (RMB 329) Note 1(2)(2)	104,001 (RMB 23,225)	
CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD	Manufacture of pneumatic equipment	807,715	Note 2(2)(4)	807,715	-	-	807,715	7,254 (RMB 1,629)	100	7,254 (RMB 1,629) Note 1(2)(2)	945,539 (RMB 211,152)	
ZHEJIANG BANGYE AUTOMATION TECHNOLOGY CO.,LTD.	Manufacture of auto parts and pneumatic components	271,504 (Note 3)	Note 2(3)(2)	-	-	-	-	45,617 (RMB 10,242)	80	36,671 (RMB 8,234) Note 1(2)(2) and Note 4	376,357 (RMB 84,006)	

Note 1: Where the column of investment gains recognized in the current period is involves,

- (I) an entity still under preparation and did not yield any profit of loss shall be indicated.
- (II) The basis for recognition of investment gains comprise the following three types, which shall be specified:
 - (1) Financial statements audited by an international accounting firm that has a cooperative relationship with the accounting firm of the Republic of China.
 - (2) Financial statements audited by CPAs of the parent company in Taiwan.
- (III) Others

Note 2: Investment methods comprise the following three types; please indicate the type:

- (I) Investment made directly in mainland China.
- (II) Investment in China made through a third region (please indicate the investor in the third region).
 - (1) Investment in GENTEK AUTOMATION (SHANGHAI) CORP in mainland China indirectly through companies in a third region (FULL ASSET Group L.L.C. and FULLTEK Group L.L.C.).
 - (2) Investment in the mainland indirectly through a company in a third regional (FULLTEK Group LLC).

(3) Investment in SHANGHAI CHELIC PNEUMATIC CORP. through investment in GENTEK AUTOMATION (SHANGHAI) CORP in mainland China indirectly through companies in a third region (FULL ASSET Group L.L.C. and FULLTEK Group L.L.C.)

(4) Investment in the mainland indirectly through a company in a third regional (CHELIC (BVI) Corp.)

(III) Other means.

(1) Investment made indirectly through SHANGHAI CHELIC PNEUMATIC CORP.

(2) Investment made indirectly through CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD

Note 3: The capital of SHENZHEN CHELIC PNEUMATIC CORP. was contributed by means of indirect investment, i.e., investment made through SHANGHAI CHELIC PNEUMATIC CORP.; 80% of the capital of ZHEJIANG BANGYE AUTOMATION TECHNOLOGY CO.,LTD. was contributed through indirect investment, i.e., investment made through CHELIC TECHNOLOGY (ZHEJIANG) CO. LTD

Note 4: The figure denotes recognition of 80% investment gains of NT\$36,494 thousand less unrealized gross profit from side-stream transactions of NT\$177 thousand.

Note 5: Does not deduct the remitted investment gains of NT\$216,869 thousand.

Limit on investment in mainland China:

Unit: NT\$1,000

Accumulated investment amount remitted from Taiwan to China at the end of period	Investment amount approved by the MOEAIC	Upper limit on investment in mainland China imposed by the MOEAIC
\$ 1,447,227(USD 48,488) (Note 5)	\$ 1,320,713(USD 44,591)	\$ 1,750,140

Any Significant Transaction with Investee Companies in the Mainland Area, Either Directly or Indirectly through a Third Area

1. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period:

2. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period:

Unit: NT\$1,000

Name of related party	Relationship between the Company and the related party	Transaction type	Amount	Ratio to total purchase (sales) (%)	Transaction terms			Notes/Accounts receivable (payable)		Unrealized gains
					Price	Payment terms	Comparison with general transactions	Balance	Percentage (%)	
SHANGHAI CHELIC PNEUMATIC CORP.	Sub-subsiidiary	Sale	\$ 153,459	(35%)	Item by item price negotiation for transactions involving products of special specifications.	T/T 120 days	Proceeds collected on a net 30 ~180 end of month (EOM) basis for general non-related parties	\$ 33,714	31%	\$ 17,344
"	"	Purchase	56,425	40%	Cost-plus pricing	T/T 90 days	Proceeds paid on a net 45~90 end of month (EOM) basis for general non-related parties	(13,527)	(23%)	-
SHENZHEN CHELIC PNEUMATIC CORP.	Sub-subsiidiary	Sale	85,350	(20%)	Cost-plus pricing	T/T 120 days	Proceeds collected on a net 30 ~180 end of month (EOM) basis for general non-related parties	20,722	19%	4,141

3. The amount of property transactions and the amount of the resultant gains or losses: None.

4. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None.

5. The highest balance, the end of period balance, the interest rate range, and total interest of the current period with respect to financing of funds: None.

6. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

TAIWAN CHELIC CO., LTD.
Information on Major Shareholders
December 31, 2024

Table 7

Unit: share

Name of major shareholder	Number of shares	
	The number of shares held	Shareholding percentage
CHENG HSIUNG INVESTMENT CO., LTD.	10,508,000	15.01%
YU, PING-CHENG	6,609,500	9.44%
SHANG BO INVESTMENT CO., LTD.	6,392,000	9.13%
SHANG CHIA INVESTMENT CO., LTD.	6,130,000	8.75%
FU-ERH INVESTMENT CO., LTD.	5,320,400	7.60%
CHEN, YU-FENG	5,199,750	7.42%

Note 1: The information on major shareholders in this table is taken from TDCC's information on shareholders who held 5% or more of the Company's total preferred shares plus the common shares (including treasury shares) whose scripless registration and delivery were already registered with TDCC, on the last business day of the current quarter. The share capital indicated in the Company's Financial Statements might differ from the number of shares whose scripless registration and delivery were already registered with TDCC because the preparation basis might be different.

Note 2: If the above-mentioned information is about shares put in trust by shareholders, the information shall be disclosed by each individual account opened by the trustee under the trustors' name. The securities and exchange laws require shareholders to disclose insiders holding 10% or more stake. Such shareholding shall include the number of shares held by the insider in person plus the number of shares put under trust and may be utilized at such insider's discretion. For declaration of insiders' shareholding, see the Market Observation Post System.

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TAIWAN CHELIC CO., LTD.
Cash and cash equivalent schedule

December 31, 2024

Schedule 1

Unit: In NT\$1,000, unless otherwise stated

Item	Summary	Amount
Cash	Cash on hand and working capital	\$ 124
Cash in banks		
Checking deposits		6,553
Demand deposits	This includes foreign currencies of USD 795,000 @ 32.785; JPY 369,000 @ 0.2099; HKD 1,000 @ 4.222; RMB 37,320,000 @ 4.478; EUR 16,000 @ 34.14.	386,557
Cash equivalent		
Commercial paper		<u>50,502</u>
		<u>\$ 443,736</u>

TAIWAN CHELIC CO., LTD.

Schedule of Notes Receivable

December 31, 2024

Schedule 2

Unit: NT\$1,000

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>
CHIA MAO SCIENCE TECHNOLOGIES CO., LTD.	Trade proceeds	\$ 1,440
HANSEA DEVELOPMENT CO., LTD.	"	1,032
JIN TAI AUTOMATIC CONTROL CO., LTD.	"	513
Others (Note)	"	<u>5,652</u>
		<u>\$ 8,637</u>

Note: The balance of each customer does not exceed 5% of the balance of this account.

TAIWAN CHELIC CO., LTD.
Schedule of Net Accounts Receivable
December 31, 2024

Schedule 3

Unit: NT\$1,000

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>
Related party		
SHANGHAI CHELIC PNEUMATIC CORP.	Trade proceeds	\$ 33,714
SHENZHEN CHELIC PNEUMATIC CORP.	"	20,722
AIR AUTOMATIC CORPORATION	"	6,652
Others (Note)	"	<u>6</u>
		<u>\$ 61,094</u>
Non-related party		
HANSEA DEVELOPMENT CO., LTD.	Trade proceeds	\$ 3,000
Others (Note)	"	<u>36,105</u>
		<u>\$ 39,105</u>

Note: The balance of each customer does not exceed 5% of the balance of this account.

TAIWAN CHELIC CO., LTD.

Inventories schedule

December 31, 2024

Schedule 4

Unit: NT\$1,000

Item	Summary	Costs	Market price (Note)
Commodity		\$ 27,985	\$ 21,563
Raw materials		44,463	34,958
Work in process		205,090	169,002
Finished goods		35,532	28,330
Less: Allowance for inventories valuation decline		(<u>59,217</u>)	<u>-</u>
		<u>\$ 253,853</u>	<u>\$ 253,853</u>

Note: The market price is calculated based on the net realizable value, and an allowance for inventories valuation decline and obsolescence loss is provided.

TAIWAN CHELIC CO., LTD.
Schedule of Changes in Investment Accounted for Using Equity Method
2024

Schedule 5

Unit: Except for the unit price in yuan, the number of shares is in thousands.
Except for the shares, the amount is in thousands of NTD

	Opening balance		Increase in this period		Decrease in this period		Gains (Losses) on investment accounted for using the equity method	Exchange differences on translation of foreign financial statements	Unrealized gain or loss on financial products of investees accounted for using the equity method	Ending balance			Market price or net equity value (Note 1)		Valuation basis	State of provision of collateral or pledges
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount				Number of shares	Shareholding percentage %	Amount	Unit price (NT\$1)	Total price		
FULL ASSET GROUP L.L.C.	-	\$ 1,492,432	-	\$ -	-	(\$ 136,269)	(\$ 52,262)	\$ 52,427	\$ 15,603	-	100	\$ 1,371,931	117.91	\$ 1,371,931	Equity method	None
FULLTEK GROUP L.L.C.	-	27,586	-	-	-	-	(1,825)	958	271	-	100	26,990	5.40	26,990	Equity method	None
Smart Technology Investment Co., Ltd.	50	143,569	-	-	-	-	4,156	3,148	-	50	100	150,873	3,017.46	150,873	Equity method	None
CHELIC (BVI) CORP.	27	907,184	-	-	-	-	7,254	31,697	-	27	100	946,135	35.38	946,135	Equity method	None
CHELIC TECHNOLOGY (THAILAND) CO., LTD.	-	-	2,495	24,142	-	-	(1,219)	(194)	-	2,495	99.8	22,729	9.11	22,729	Equity method	None
Less: Unrealized gross profit from sales to subsidiaries	-	(24,262)	-	2,777	-	-	-	-	-	-		(21,485)		(21,485)		
		<u>\$ 2,546,509</u>		<u>\$ 26,919</u>		<u>(\$ 136,269)</u>	<u>(\$ 43,896)</u>	<u>\$ 88,036</u>	<u>\$ 15,874</u>			<u>\$ 2,497,173</u>		<u>\$ 2,497,173</u>		

Note 1: Calculated based on the 2024 financial statements audited by CPAs.

Note 2: The increase for the current period is due to the completion of the registration of CHELIC TECHNOLOGY (THAILAND) CO., LTD. in September 2024. As of December 31, 2024, the Company has invested NT\$24,142 thousand. Please refer to Note 9.

Note 3: The period decrease is due to the investee’s cash dividends distributed of NT\$136,269 thousand.

TAIWAN CHELIC CO., LTD.

Schedule of Notes Payable

December 31, 2024

Schedule 6

Unit: NT\$1,000

<u>Customer name</u>	<u>Amount</u>
DATA SYSTEMS CONSULTING CO., LTD.	<u>\$ 218</u>

TAIWAN CHELIC CO., LTD.

Schedule of Accounts Payable

December 31, 2024

Schedule 7

Unit: NT\$1,000

<u>Name</u>	<u>Summary</u>	<u>Amount</u>
Related party		
SHANGHAI CHELIC PNEUMATIC CORP.	Trade proceeds	<u>\$ 13,527</u>
Non-related party		
KITA SENSOR TECH. CO., LTD.	Trade proceeds	\$ 5,212
UNITECH HYDRO-PNEUMATIC CO., LTD.	"	3,535
HENG-LIEN EXACT INDUSTRY CO., LTD.	"	2,572
FU SHENG PRECISION CO., LTD.	"	2,415
Others (Note)	"	<u>26,319</u>
		<u>\$ 40,053</u>

Note: The balance of each customer does not exceed 5% of the balance of this account.

TAIWAN CHELIC CO., LTD.
Schedule of Operating Revenue
2024

Schedule 8

Unit: NT\$1,000

Item	Amount
Sales revenue	
Pneumatic components	\$ 365,507
Others	<u>69,705</u>
	435,212
Sales returns	(414)
Sales discounts and allowances	(<u>106</u>)
	<u>\$ 434,692</u>

TAIWAN CHELIC CO., LTD.

Schedule of Operating Costs

2024

Schedule 9

Unit: NT\$1,000

Item	Amount
Raw materials (supplies) - opening balance	\$ 52,373
Add: Purchase of raw materials in the year (net)	27,048
Less: transferred to expenses	(1,352)
Raw materials (supplies) - ending balance	(44,463)
Loss on physical inventory and retirement	(27)
Direct raw material consumption	33,579
Direct labor	22,312
Manufacturing overhead	74,292
Manufacturing cost	130,183
Add: Work in progress at the beginning of the year	261,663
Goods purchased in the year (net)	47,891
Less: Work in progress at the end of the period	(205,090)
Loss on physical inventory and retirement	(843)
Transferred to expenses	(732)
Cost of finished goods	233,072
Add: finished goods at the beginning of the year	43,239
Less: transferred to expenses	(3,610)
Finished goods at the end of period	(35,532)
Loss on physical inventory and retirement	(23)
Production and sale cost	237,146
Goods inventories at the beginning of the year	26,540
Plus: Goods purchased this year	64,387
Less: Merchandise inventory at the end of period	(27,985)
Loss on physical inventory and retirement	(62)
Transferred to expenses	(209)
Cost of purchase and sale	62,671
R&D transferred to cost	5,397
Revenue from sale of inventories waste and scraps	(238)
Loss on physical inventory and retirement	894
Others	(13,043)
Unallocated manufacturing overhead	14,236
Cost of sales	<u>\$ 307,063</u>

TAIWAN CHELIC CO., LTD.
Schedule of Operating Expenses
2024

Schedule 10

Unit: NT\$1,000

Item	Selling expenses	Administration expenses	Research and development expense
Wages and salaries (including directors' compensation)	\$ 18,151	\$ 22,528	\$ 14,202
Import and export fees	3,531	-	-
Insurance expense	2,209	3,171	1,653
Depreciation	3,357	2,215	1,443
Freight	2,147	5	12
Other expenses (Note)	<u>16,858</u>	<u>29,150</u>	<u>14,613</u>
	<u>\$ 46,253</u>	<u>\$ 57,069</u>	<u>\$ 31,923</u>

Note: None of the amounts exceeds 5% of this account.

TAIWAN CHELIC CO., LTD.

Schedule of Employee Benefits, Depreciation, and Amortization Expenses Incurred in the Current Period

2024 and 2023

Schedule 11

Unit: NT\$1,000

	2024			2023		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expenses						
Wages	\$ 40,941	\$ 54,881	\$ 95,822	\$ 45,401	\$ 54,797	\$ 100,198
Health insurance and labor insurance expenses	5,624	6,558	12,182	6,184	6,523	12,707
Pension expenses	2,494	3,249	5,743	2,675	3,221	5,896
Directors' remuneration	-	2,160	2,160	-	1,890	1,890
Other employee benefits expenses	<u>1,813</u>	<u>2,401</u>	<u>4,214</u>	<u>241</u>	<u>2,937</u>	<u>3,178</u>
Total	<u>\$ 50,872</u>	<u>\$ 69,249</u>	<u>\$ 120,121</u>	<u>\$ 54,501</u>	<u>\$ 69,368</u>	<u>\$ 123,869</u>
Depreciation	<u>\$ 28,162</u>	<u>\$ 7,015</u>	<u>\$ 35,177</u>	<u>\$ 32,578</u>	<u>\$ 6,251</u>	<u>\$ 38,829</u>
Amortization	<u>\$ -</u>	<u>\$ 2,511</u>	<u>\$ 2,511</u>	<u>\$ -</u>	<u>\$ 2,789</u>	<u>\$ 2,789</u>

Note:

- The number of employees in this year and the previous year was 183 and 184, respectively, among whom the number of directors who were not concurrently an employee was 4 for both years.
- The average employee benefit expenses in the current year amounted to NT\$659 thousand ("Total employee welfare expenses for this year - Total directors' remuneration" / "Number of employees for this year - Number of directors who are not concurrently an employee").
The average employee benefit expenses in the previous year amounted to NT\$678 thousand ("Total employee welfare expenses for the previous year - Total directors' remuneration" / "Number of employees for the previous year - Number of directors who are not concurrently an employee").
 - The average employee salary expenses for this year amounted to NT\$535 thousand (Total salary expenses for this year/"Number of employees for this year - Number of directors who are not concurrently an employee").
The average employee salary expenses for the previous year amounted to NT\$557 thousand (Total salary expenses for the previous year/"Number of employees for the previous year - Number of directors who are not concurrently an employee").
- Adjustment of average employee salary expenses amounted to -3.95% ("Average employee salary expenses for the current year - Average employee salary expenses for the previous year"/Average employee salary expenses for the previous year).
- The Company's Audit Committee consisted of independent directors replaces supervisors.

5. The Company's remuneration policy

Principles for formulation of remuneration policy

- (1) Employee salary: Employee remuneration mainly includes basic salary (including base salary, food allowance), annual salary adjustment for personal performance, and year-end bonus. Salary is approved by referring to the salary paid by industry peers, the salary payment prevailing on the market, job category, education and experience, professional knowledge and technology, and professional seniority and experience, aiming to surpassing the average salary payment in the industry.
- (2) Policy on managers' remuneration is based on factors such as the Company's business strategy, profits, business performance, and job and contribution, taking into account the salary level prevailing on the market, and is enforced after being proposed by the Remuneration Committee and approved by the Board of Directors.
- (3) Annual salary adjustment: The adjusts salary every year based on the macro economic environment, operating profit, employee performance evaluation results, and incentives aiming to facilitate long-term development of employees, and by considering the salary level and salary adjustment of industry peers.

The correlation between business performance and employee remuneration

If the Company has earnings at the closing of accounts in a given year, it shall first allocate 0.5% to 5% of such earnings as employee compensation; eligible employees may include the employees of the affiliates who meet certain criteria. The Company may also allocate no greater than 5% of the said earnings as director compensation through a favorable resolution from the Board of Directors. The proposals to distribute compensation to employees and directors shall be reported at the Shareholders' Meeting. However, if the Company is still in losses, an amount equal to such losses shall be reserved before such earnings can be distributed as employee compensation and director compensation in the proportion mentioned above.