

Yuen Chang Stainless Steel Co., Ltd. and  
its subsidiaries

Consolidated Financial Statements and  
Independent Auditor's Report  
2024 and 2023

Address: 13F-1., No. 235, Zhongzheng 4th Rd., Qianjin Dist., Kaohsiung City  
Tel: (07)969-5858

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## Statement of Consolidated Financial Report of Affiliated Companies

The companies to be included by the Company in the consolidated financial statement of affiliated companies in 2024 (from January 1 to December 31, 2024) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included into the consolidated financial statements of the parent company and subsidiaries pursuant to the Statement of International Financial Reporting Standards (IFRS) No. 10. Further, the related information to be disclosed in the consolidated financial statement of affiliates has been disclosed in said consolidated financial statements of the parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statements of affiliated companies separately.

Hereby declared by

Company name: Yuen Chang Stainless Steel Co., Ltd.

Chairman: Yen Te-Ho

March 6, 2025

## External Auditor's Report

To: Yuen Chang Stainless Steel Co., Ltd.

### **Audit Opinions**

We have completed our review on the Consolidated Balance Sheet of Yuen Chang Stainless Steel Co., Ltd. (hereinafter referred to as the "Company") and its subsidiaries on December 31, 2024 and 2023, and Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and Notes to the Consolidated Financial Statements (including a summary of significant accounting policies) for January 1 to December 31, 2024 and 2023.

In our opinion, said consolidated financial statements in all major respects are in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission. They are sufficient to adequately express the consolidated financial status of the Company and its subsidiaries as of December 31, 2024 and 2023 and its consolidated financial performance and consolidated cash flow from January 1 through December 31, 2024 and 2023.

### **Basis for the Audit Opinions**

We are entrusted to conduct our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of the report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions, based on our audit results and the other external auditors' report.

### **Key Audit Matters**

Key audit matters refer to the most important matters for the audit of 2024 consolidated financial statements of the Company and its subsidiaries based on our professional judgment. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of 2024 consolidated financial statements of the Company and its subsidiaries are hereby stated as follows:

Adequacy of the deadline for sales revenue

According to the delivery terms and conditions agreed on by the Company, its subsidiaries, and customers, there was a deviation between the physical shipping date and delivery date or on board date. We evaluated that revenue risk might be recognized earlier than the actual delivery or on board. Therefore, we identify the adequacy of the deadline for the sales revenue close to the balance sheet date as the key audit matters.

Meanwhile, we also perform the following primary audit procedures:

- I. Test the internal control related to adequacy of the deadline for recognition of the revenue.
- II. Perform the random check on customers' orders, shipping bills and sales invoices from the statement of operating revenue to identify whether the buyers identified in the customers' orders and sales invoices are identical, and whether the sales invoice amount is consistent with the recognized revenue, and also perform the random check on external shipment certificates from the statement of operating revenue close to the balance sheet date to confirm whether the sales revenue is recognized for the applicable accounting period.

**Other information**

The Company has prepared the parent company only financial statements for 2024 and 2023, and the audit reports with unqualified opinions that we have issued are on file for reference.

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

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and with International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), IFRIC Interpretation, or SIC Interpretation endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Company and its subsidiaries to continue operations, disclosing related matters, as well as continuing operations with the basis of accounting, unless the management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no feasible alternative but to do so.

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

## **External Auditors' Responsibilities for the Audit on Consolidated Financial Statements**

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

As part of an audit in accordance with the auditing standards, we exercise professional judgment and professional skepticism throughout the audit. We also:

- I. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - II. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
  - III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
  - IV. Conclude on the appropriateness of the management's use of the going concern basis of accounting and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern, based on the audit evidence obtained. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
  - V. Evaluate the overall presentation, structure, and contents of the consolidated financial statements, including the related notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - VI. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision, and performance of the audit. We remain

solely responsible for our audit opinion on the Group.

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 to communicate with them all relationships and other matters that may reasonably be considered affecting our independence, and where applicable, other matters (including related safeguards).

From the matters communicated with the governance unit, we have determined key audit matters of 2024 consolidated financial statements of the Company and its subsidiaries. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Taiwan  
CPA: Hsu Kai-Ning

CPA: Chang Tzu-Yuan

Approval reference of the Financial  
Supervisory Commission  
Jin-Guan-Zheng-Shen-Zi No.  
1090347472

Approval reference of the Financial  
Supervisory Commission  
Jin-Guan-Zheng-Shen-Zi No. 1120349008

March 6, 2025

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Consolidated Balance Sheet  
December 31, 2024 and 2023

Unit: NT\$ Thousand

Code	Assets	December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 6)	\$ 145,982	2	\$ 224,686	3
1150	Notes receivable (Notes 7 and 18)	15,460	-	81,833	1
1170	Accounts receivable, net (Notes 7, 18, 25 and 27)	1,078,125	12	926,142	11
1200	Other receivables (Note 25)	104,296	1	94,361	1
1310	Inventory (Note 8)	2,914,847	32	2,510,774	29
1410	Prepayments	114,288	1	33,430	-
1476	Other financial assets – current (Notes 9 and 27)	122,147	1	112,020	1
1479	Other current assets	21,784	-	26,554	-
11XX	Total current assets	<u>4,516,929</u>	<u>49</u>	<u>4,009,800</u>	<u>46</u>
	<b>Non-current assets</b>				
1600	Property, plant and equipment (Notes 10, 19 and 27)	4,257,768	46	4,286,058	50
1755	Right-of-use assets (Notes 11, 19 and 27)	110,194	1	109,214	1
1760	Investment property (Notes 12 and 27)	45,380	1	45,380	1
1840	Deferred income tax assets (Note 20)	177,789	2	194,210	2
1915	Prepayments for equipment	58,836	1	29,820	-
1990	Other non-current assets (Note 19)	4,778	-	4,761	-
15XX	Total non-current assets	<u>4,654,745</u>	<u>51</u>	<u>4,669,443</u>	<u>54</u>
1XXX	Total assets	<u>\$ 9,171,674</u>	<u>100</u>	<u>\$ 8,679,243</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2100	Short-term loans (Notes 13 and 27)	\$ 3,350,467	36	\$ 2,898,776	33
2110	Short-term notes and bills payable (Note 13)	360,000	4	370,000	4
2130	Contract liabilities – current (Note 18)	177,075	2	156,739	2
2150	Notes payable	7,948	-	16,370	-
2170	Accounts payable	23,782	-	35,963	-
2219	Other payables (Note 15)	233,849	3	209,876	3
2230	Current income tax liabilities (Note 20)	8,338	-	4,297	-
2280	Lease liabilities – current (Note 11)	29	-	142	-
2321	Corporate bonds payable – current portion (Notes 14 and 25)	-	-	2,439	-
2322	Long-term loans – current portion (Notes 13 and 27)	157,344	2	147,648	2
2399	Other current liabilities	5,106	-	4,453	-
21XX	Total current liabilities	<u>4,323,938</u>	<u>47</u>	<u>3,846,703</u>	<u>44</u>
	<b>Non-current liabilities</b>				
2540	Long-term loans (Notes 13 and 27)	788,736	9	1,004,053	12
2570	Deferred income tax liabilities (Note 20)	41,076	-	39,254	-
2645	Deposit received	14,357	-	11,342	-
25XX	Total non-current liabilities	<u>844,169</u>	<u>9</u>	<u>1,054,649</u>	<u>12</u>
2XXX	Total liabilities	<u>5,168,107</u>	<u>56</u>	<u>4,901,352</u>	<u>56</u>
	<b>Equity attributable to owners of the Company (Note 17)</b>				
3110	Ordinary share capital	1,663,868	18	1,663,868	19
3200	Capital surplus	1,243,130	14	1,326,323	15
	Retained earnings				
3310	Legal reserve	315,505	3	315,505	4
3320	Special reserve	217,768	2	152,537	2
3350	Undistributed earnings	697,592	8	537,425	6
3300	Total retained earnings	<u>1,230,865</u>	<u>13</u>	<u>1,005,467</u>	<u>12</u>
3400	Other equity	(134,296)	(1)	(217,767)	(2)
3XXX	Total equity	<u>4,003,567</u>	<u>44</u>	<u>3,777,891</u>	<u>44</u>
3X2X	Total liabilities and equity	<u>\$ 9,171,674</u>	<u>100</u>	<u>\$ 8,679,243</u>	<u>100</u>

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

(Please refer to the audit report issued by Deloitte Taiwan on March 6, 2025.)

Chairman: Yen Te-Ho

General Manager: Yen Te-Ho

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Consolidated Statement of Comprehensive Income  
January 1 to December 31, 2024 and 2023

Unit: NTD thousand, except for the earnings (loss) per share (NTD)

Code		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue, net (Note 18)	\$ 10,714,847	100	\$ 11,837,852	100
5000	Operating costs (Notes 8 and 19)	<u>9,679,325</u>	<u>91</u>	<u>11,425,845</u>	<u>97</u>
5900	Gross profit	<u>1,035,522</u>	<u>9</u>	<u>412,007</u>	<u>3</u>
	Operating expenses (Notes 7 and 19)				
6100	Selling expenses	484,920	5	295,101	3
6200	Administrative expenses	159,026	1	150,510	1
6300	R&D expenses	19,990	-	20,216	-
6450	Loss on expected credit impairment	<u>598</u>	<u>-</u>	<u>45</u>	<u>-</u>
6000	Total operating expenses	<u>664,534</u>	<u>6</u>	<u>465,872</u>	<u>4</u>
6900	Net operating profit (loss)	<u>370,988</u>	<u>3</u>	( <u>53,865</u> )	( <u>1</u> )
	Non-operating revenue and expenses (Note 19)				
7100	Interest revenue	5,155	-	10,730	-
7010	Other revenue	25,682	-	25,193	-
7020	Other gains and losses	21,560	-	3,064	-
7050	Financial costs	( <u>170,478</u> )	( <u>1</u> )	( <u>186,606</u> )	( <u>1</u> )
7000	Total non-operating revenue and expenses	( <u>118,081</u> )	( <u>1</u> )	( <u>147,619</u> )	( <u>1</u> )
7900	Net profit (loss) before tax	252,907	2	( 201,484)	( 2)
7950	Income tax expenses (gains) (Note 20)	<u>27,509</u>	<u>-</u>	( <u>52,335</u> )	( <u>1</u> )
8200	Net income (loss)	<u>225,398</u>	<u>2</u>	( <u>149,149</u> )	( <u>1</u> )

(Continued)

(Brought Forward)

Code		2024		2023	
		Amount	%	Amount	%
	Other comprehensive income				
8360	Items that might be reclassified to profit and loss				
8361	Exchange differences on translation of foreign financial statements	<u>\$ 83,471</u>	<u>1</u>	<u>(\$ 65,232)</u>	<u>(1)</u>
8300	Other comprehensive income for the current period (net after tax)	<u>83,471</u>	<u>1</u>	<u>(65,232)</u>	<u>(1)</u>
8500	Total comprehensive income for the current year	<u>\$ 308,869</u>	<u>3</u>	<u>(\$ 214,381)</u>	<u>(2)</u>
8600	Net income (loss) attributed to:				
8610	Owners of the Company	<u>\$ 225,398</u>	<u>2</u>	<u>(\$ 149,149)</u>	<u>(1)</u>
8700	Total comprehensive income attributed to:				
8710	Owners of the Company	<u>\$ 308,869</u>	<u>3</u>	<u>(\$ 214,381)</u>	<u>(2)</u>
	Earnings (loss) per share (Note 21)				
9750	Basic earnings (net loss) per share	<u>\$ 1.35</u>		<u>(\$ 0.90)</u>	
9850	Diluted earnings per share (net loss)	<u>\$ 1.35</u>		<u>(\$ 0.90)</u>	

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

(Please refer to the audit report issued by Deloitte Taiwan on March 6, 2025.)

Chairman: Yen Te-Ho

General Manager: Yen Te-Ho

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Consolidated Statement of Changes in Equity  
January 1 to December 31, 2024 and 2023

Unit: NT\$ Thousand

Code		Equity attributable to owners of the Company						Other equity items Exchange differences on translation of foreign financial statements	Treasury stocks	Total equity
		Retained earnings					Total			
		Share capital	Capital surplus	Legal reserve	Special reserve	Undistributed earnings				
A1	Balance on January 1, 2023	<u>\$1,663,868</u>	<u>\$1,323,687</u>	<u>\$ 296,047</u>	<u>\$ 199,095</u>	<u>\$ 824,511</u>	<u>\$1,319,653</u>	<u>(\$ 152,535)</u>	<u>(\$ 20,394)</u>	<u>\$4,134,279</u>
	2022 Appropriation and distribution of retained earnings (Note 17)									
B1	Legal reserve	-	-	19,458	-	( 19,458)	-	-	-	-
B3	Special reserve	-	-	-	( 46,558)	46,558	-	-	-	-
B5	Cash dividends to the Company's shareholders	-	-	-	-	( 165,037)	( 165,037)	-	-	( 165,037)
		-	-	19,458	( 46,558)	( 137,937)	( 165,037)	-	-	( 165,037)
D1	Net loss 2023	-	-	-	-	( 149,149)	( 149,149)	-	-	( 149,149)
D3	2023 Other comprehensive income after tax	-	-	-	-	-	-	( 65,232)	-	( 65,232)
D5	2023 Total comprehensive income	-	-	-	-	( 149,149)	( 149,149)	( 65,232)	-	( 214,381)
N1	Share-based payment transactions (Notes 22 and 26)	-	4,036	-	-	-	-	-	-	4,036
N1	Transfer of treasury stocks to employees (Note 17)	-	( 1,400)	-	-	-	-	-	20,394	18,994
Z1	Balance on December 31, 2023	<u>1,663,868</u>	<u>1,326,323</u>	<u>315,505</u>	<u>152,537</u>	<u>537,425</u>	<u>1,005,467</u>	<u>( 217,767)</u>	<u>-</u>	<u>3,777,891</u>
	2023 Appropriation and distribution of retained earnings (Note 17)									
B3	Special reserve	-	-	-	65,231	( 65,231)	-	-	-	-
C15	Cash dividends allocated from capital surplus (Note 17)	-	( 83,193)	-	-	-	-	-	-	( 83,193)
D1	Profit 2024	-	-	-	-	225,398	225,398	-	-	225,398
D3	2024 Other comprehensive income after tax	-	-	-	-	-	-	83,471	-	83,471
D5	2024 Total comprehensive income	-	-	-	-	225,398	225,398	83,471	-	308,869
Z1	Balance on December 31, 2024	<u>\$1,663,868</u>	<u>\$1,243,130</u>	<u>\$ 315,505</u>	<u>\$ 217,768</u>	<u>\$ 697,592</u>	<u>\$1,230,865</u>	<u>(\$ 134,296)</u>	<u>\$ -</u>	<u>\$4,003,567</u>

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

(Please refer to the audit report issued by Deloitte Taiwan on March 6, 2025.)

Chairman: Yen Te-Ho

General Manager: Yen Te-Ho

Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Consolidated Cash Flow Statement  
January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

Code		2024	2023
	Cash flow from operating activities		
A10000	Net profit (loss) before tax for the current year	\$ 252,907	(\$ 201,484)
A20010	Adjustments to reconcile profit (loss)		
A20100	Depreciation expenses	244,404	236,820
A20200	Amortization expenses	59	58
A20300	Loss on expected credit impairment	598	45
A20400	Net gains from financial assets and liabilities at fair value through profit or loss	( 118)	( 2,894)
A20900	Financial costs	170,478	186,606
A21200	Interest revenue	( 5,155)	( 10,730)
A21900	Compensation cost of employee stock options	-	4,036
A22500	Gains from disposal of property, plant and equipment	( 3,005)	-
A23700	Loss (gain on reversal) from inventory price decline	( 22,500)	61,627
A29900	Other items	( 35)	( 2,405)
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	66,373	( 47,575)
A31150	Accounts receivable	( 153,920)	( 167,956)
A31180	Other receivables	( 9,974)	( 11,166)
A31200	Inventories	( 383,749)	248,878
A31230	Prepayments	( 80,858)	84,458
A31240	Other current assets	4,770	671
A32125	Contract liabilities — current	18,459	( 33,021)
A32130	Notes payable	( 8,422)	( 4,517)
A32150	Accounts payable	( 13,314)	( 126,908)
A32180	Other payables	27,315	( 12,894)
A32990	Other business liabilities	771	59
A33000	Cash inflow from operating activities	105,084	201,708
A33100	Interest collected	5,190	5,156
A33300	Interest paid	( 171,771)	( 185,379)
A33500	Income tax paid	( 1,888)	( 113,165)
AAAA	Net cash outflow from operating activities	( 63,385)	( 91,680)

(Continued)

(Brought Forward)

<u>Code</u>		<u>2024</u>	<u>2023</u>
	Cash flow from investing activities		
B02700	Acquisition of property, plant and equipment	(\$ 137,624)	(\$ 138,826)
B02800	Proceeds from disposal of property, plant and equipment	6,389	-
B06500	Increase in other financial assets	( 10,127)	( 2,298)
B06700	Decrease (increase) in other non-current assets	( <u>73</u> )	<u>753</u>
BBBB	Net cash outflow from investing activities	( <u>141,435</u> )	( <u>140,371</u> )
	Cash flow from financing activities		
C00100	Increase in short-term loans	377,829	558,019
C00500	Increase in short-term notes and bills payable	-	90,000
C00600	Decrease in short-term notes and bills payable	( 10,000)	-
C01300	Repayment of corporate bonds	( 2,400)	( 300,584)
C01600	Borrowing of long-term loans	579,800	499,800
C01700	Repayment of long-term loans	( 818,790)	( 407,015)
C03000	Increase (decrease) in deposit received	2,970	( 1,879)
C04020	Repayment of principal portion of lease liabilities	( 113)	( 112)
C04500	Allocation of cash dividends	( 83,193)	( 165,037)
C05000	Transfer of treasury stocks to employees	<u>-</u>	<u>18,994</u>
CCCC	Cash inflow from financing activities	<u>46,103</u>	<u>292,186</u>
DDDD	Effect of foreign exchange rate changes on cash	<u>80,013</u>	( <u>26,271</u> )
EEEE	Net increase (decrease) in cash and cash equivalents for the current year	( 78,704)	33,864
E00100	Balance of cash and cash equivalents, beginning	<u>224,686</u>	<u>190,822</u>
E00200	Balance of cash and cash equivalents, ending	<u>\$ 145,982</u>	<u>\$ 224,686</u>

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

(Please refer to the audit report issued by Deloitte Taiwan on March 6, 2025.)

Chairman: Yen Te-Ho      General Manager: Yen Te-Ho      Accounting Manager: Chu Pei-Chen

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Notes to Consolidated Financial Statements  
January 1 to December 31, 2024 and 2023  
(NT\$ Thousand, unless otherwise specified.)

I. Company history

Yuen Chang Stainless Steel Co., Ltd. (hereinafter referred to as the “Company”) was incorporated in July 1987. The Company is primarily engaged in stainless steel shearing, splitting, surface treatment, processing and trading, and import & export of stainless steel products.

The Company has been listed on TWSE since March 22, 2016.

The present consolidated financial statements are expressed in New Taiwan Dollars, the functional currency adopted by the Company.

II. Dates and procedures where the financial statements were resolved

The consolidated financial statements were issued upon approval by the Board of Directors on March 6, 2025.

III. Applicability of newly promulgated and amended standard rules and interpretations

(I) The initial adoption of the IFRS, IAS, IFRIC, and SIC approved and effective upon promulgation by the Financial Supervisory Commission (“FSC”) (hereinafter referred to as the “IFRSs” collectively).

The application of the revised FSC-approved and issued effective IFRSs will not cause significant changes to the accounting policies of the Company and its subsidiaries.

(II) Apply the IFRSs endorsed by FSC in 2025

Newly promulgated/amended/revised standard rules and interpretations	Effective date of promulgation by International Accounting Standards Board (IASB)
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)
Amendments to the IFRS 9 and IFRS 7 “classification and measurement of financial instruments” for the guidance on financial asset classification application	January 1, 2026 (Note 2)

Note 1: Applicable to the annual reporting periods beginning after January 1, 2025. When the Amendments apply for the first time, the comparative period information shall not be re-prepared, and the affected amount shall be recognized as the exchange differences on translating foreign operations (as appropriate) under the retained earnings or equity on the date of initial application, as well as the related affected assets and liabilities.

Note 2: Applicable to the annual reporting periods beginning after January 1, 2026. The enterprise may also choose to apply the same earlier on January 1, 2025. The Company shall apply the amendments retrospectively but is not required to re-prepare the comparative period information, and the effect of the initial application shall be recognized on the date of initial application. However, if it may be restated after the enterprise waives to adopt a forward-looking mindset, it may choose to restate the comparative period.

### Amendments to IAS 21 “Lack of Exchangeability”

The amendments clearly stipulate that when the enterprise can exchange a currency into another currency in the exchange transaction with exercisable rights and obligations as created via a market or an exchange mechanism, the currency shall be considered with the exchangeability. When the currency is not exchangeable on the measurement date, the Company and its subsidiaries shall estimate the spot exchange rate to reflect the exchange rate used for orderly transactions by market participants considering the current economic situation on the measurement date. In such circumstances, the Company and its subsidiaries shall also disclose the information that enables users of financial statements to evaluate how the lack of exchangeability of money affects or is expected to affect their operating results, financial position and cash flows.

(III) New IFRSs promulgated by IASB but not yet endorsed and issued into effect by the FSC.

<u>Newly promulgated/amended/revised standard rules and interpretations</u>	<u>Effective Date Promulgated by IASB (Note)</u>
“IFRS Annual Improvements - Volume 11”	January 1, 2026
Amendments to the IFRS 9 and IFRS 7 “classification and measurement of financial instruments” for the guidance on financial asset derecognition application	January 1, 2026
Amendment to IFRS 9 and IFRS 7 “Contract with Natural Power Dependence”	January 1, 2026
Amendments to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”	TBD
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Lack of Exchangeability”	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

Note: Unless otherwise expressly remarked, the aforementioned new Promulgation/Amendment/Amended Rules or Interpretation come into effect in the annual reporting year starting from the respective specified effective dates.

1. IFRS 18 “Presentation and Disclosure in Financial Statements”  
IFRS 18 will replace IAS 1 “Expression of Financial Statements.”  
The main changes include:
  - The income statement shall classify the income and expenses into operation, investment, financing, income tax and discontinued operations.
  - The operating income and loss, income and loss before financing, as well as subtotals and total amounts of income and loss, shall be

presented in the income statement.

- Guidance is provided to strengthen consolidation and segmentation regulations. The Company and its subsidiaries must identify assets, liabilities, equity, income, expenses, losses, and cash flows generated from individual transactions or other matters and classify and summarize them according to common characteristics. This ensures that each individual line item presented in the primary financial statements has at least one similar characteristic. The items with any characteristics other than similar ones shall be subdivided in the primary financial statements and notes. The Company and its subsidiaries label such items as "Other" only when no more informative classification can be identified.
  - Disclosure in performance measurement defined by the management is increased: When the Company and its subsidiaries makes public communication outside of financial statements and communicates with users of financial statements about the management's views on a certain aspect of the overall financial performance of the Company and its subsidiaries, it shall disclose relevant information on performance measurement defined by the management in a single note to the financial statements, including a description of the measurement, how it is calculated, its adjustment from subtotals or aggregates specified in the IFRS Accounting Standards, and the impact of income tax and non-controlling interests on related adjustment items.
2. The amendments to the application of derecognition of financial liabilities under the amendments to IFRS 9 and IFRS 7 "Classification and Measurement of Financial Instruments" are as follows:

The amendments mainly describe the circumstances under which an enterprise may choose to derecognize financial liabilities before the settlement date if the following conditions are met when using the electronic payment system to settle financial liabilities in cash:

- The enterprise does not have the actual ability to withdraw, stop or cancel the payment instruction;
- The enterprise has no actual ability to withdraw the cash that is paid for settlement due to the payment instruction; and
- The settlement risk related to the electronic payment system is not significant.

The Company and its subsidiaries shall apply the amendments retrospectively but are not required to re-prepare the comparative period information, and the effect of the initial application shall be recognized on the date of initial application.

Until the date the consolidated financial statements were authorized for issue, the Company and its subsidiaries still continued to assess the impact to be posed by the amendments to various standards and interpretations on its financial position and performance. It will disclose the relevant impact upon completion of the assessment.

#### IV. Summary of significant accounting policies

##### (I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### (II) Basis of preparation

Except for the financial instruments measured at fair value, the consolidated financial statements are prepared on the basis of the historical cost.

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

1. Level 1 inputs refer to the quoted price (unadjusted) in active markets for identical assets or liabilities, available on the measurement date;
2. Level 2 inputs refer to those that can be observed directly (i.e. price) or indirectly (i.e. established from price) for an asset or liability, other than Level 1 quoted price.
3. Level 3 inputs refer to those that can not be observed for an asset or liability.

##### (III) Classification standard of current and non-current assets and liabilities

Current assets include:

1. Cash and cash equivalents (unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period).
2. Assets held primarily for the purpose of trading; and
3. Assets expected to be realized within 12 months after the balance sheet date.

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (to be classified as current liability, even if it is later refinanced or rearranged into long-term liabilities at any time between the balance sheet date and approval and announcement date of the financial report).
3. Liabilities of which the entity on the balance sheet date does not have in substance the right to defer settlement for at least 12 months after the balance sheet date.

Assets and liabilities that are not classified as current are classified as non-current.

##### (IV) Basis of consolidation

###### 1. Principles for preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (namely, subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

###### 2. Subsidiaries included into the consolidated financial statements

The present consolidated financial statements include the following key entities:

Subsidiary's name	Main line of business	Establishment and operating location	% of ownership	
			December 31, 2024	December 31, 2023
QIYI PRECISION METALS CO., LTD	Holding company	British Cayman Islands	100.0	100.0
Surewin Global Limited (HK)	Holding company	Hong Kong, China	100.0	100.0
Ningbo Qiyi Precision Metals Co., Ltd. (Ningbo Qiyi)	Stainless steel shearing, splitting and cold rolling, processing and trading, and import & export of stainless steel products	Ningbo, China	100.0	100.0

(V) Foreign currency

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

At the end of each balance sheet date, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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

When preparing the consolidated financial statements, the assets and liabilities of the foreign operations (including the subsidiaries which are operating in any countries different from the country where the Company is operating or use the currencies different from that used by the Company) are translated into New Taiwan dollars using exchange rates prevailing on each balance sheet date. The adjustments to reconcile profit (loss) are translated in accordance with the current average exchange rates and the exchange differences are recognized into the other comprehensive income.

(VI) Inventory

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

(VII) Property, plant and equipment

Property, plant and equipment shall be stated at cost initially. The following evaluation is based on the cost less accumulated depreciation and accumulated impairment.

The property, plant and equipment construction in progress is recognized at cost less accumulated impairment loss. The costs included fees incurred for professional services and costs of loans, which were consistent with the conditions of capitalization. The assets were measured at the lower of the costs and net realizable value to the extent of being ready for use. The proceeds from sale and costs thereof were classified into the income. For those assets, depreciation started being amortized when those assets were completed to the extent of being ready for use and duly classified into the appropriate categories of property, plant and equipment.

Except that no depreciation should be provided for own land, amortization of other property, plant and equipment is recognized on a straight-line basis within the useful life thereof. The estimated useful lives, residual values, and depreciation method are reviewed at the end of each year, with the effect of any changes in accounting estimates accounted for on a prospective basis.

On derecognition of an item of property, plant, and equipment, the difference between the net proceeds from the disposal and the carrying amount of the asset is recognized into the income.

(VIII) Investment property

The investment property refers to the property held in order to earn rentals. The investment property also includes the land held for purpose which has not yet been determined.

Own investment property shall be stated at cost (including trading cost) initially. The following evaluation is based on the cost less accumulated depreciation and accumulated impairment losses.

Depreciation of the investment property is provided on a straight-line basis.

On derecognition of investment property, the difference between the net proceeds from the disposal and the carrying amount of the asset is recognized into the income.

(IX) Intangible assets

The intangible assets with limited useful years that are acquired by the Company independently are measured at cost initially, and subsequently at cost less accumulated amortization and accumulated impairment losses. Amortization of intangible assets is recognized on a straight-line basis within the useful life thereof, and the estimated useful lives, residual values, and depreciation method are reviewed at the end of each year, with the effect of any changes in accounting estimates accounted for on a prospective basis.

(X) Impairment on property, plant and equipment, right-of-use assets and intangible assets.

The Company and its subsidiaries evaluate on each balance sheet date whether there are any signs of possible impairment on property, plant and equipment, right-of-use assets and intangible assets. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The common asset is classified to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

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

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in the previous year. A reversal of an impairment loss is recognized into the income.

(XI) Financial instruments

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

When recognizing the financial assets and liabilities initially, the financial assets and liabilities other than those at fair value through profit or loss shall be evaluated based on fair value, plus the transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately into the income.

1. Financial assets

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

(1) Measurement category

The financial assets held by the Company and its subsidiaries include financial assets measured at amortized cost and accounts receivable at fair value through other comprehensive income.

A. Financial assets measured at amortized cost

The Company's and its subsidiaries' investment in financial assets which meet the following two conditions at the same time, if any, shall be classified as the financial assets measured at amortized cost:

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

When recognizing the financial assets measured at amortized cost (primarily including cash and cash equivalents, accounts receivable measured at amortized cost, notes receivable, other receivable, other financial assets and refundable deposit) initially, the financial assets measured at amortized cost are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss. Any gain or loss on exchange of foreign currency is recognized into the income.

The interest revenue shall be the effective interest rate multiplying by the total carrying amount of the relevant financial asset.

Credit-impaired financial assets refers to when there is a significant financial difficulty or a breach of contract of the issuer or debtor, the debtor will enter bankruptcy or other financial reorganization, or the disappearance of an active market of the financial asset because of the financial difficulty.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value.

These cash equivalents are held for the purpose of meeting short-term cash commitments.

B. Accounts receivable at fair value through other comprehensive income

The accounts receivable of the Company and its subsidiaries that meet the following conditions at the same time are classified as the accounts receivable at fair value through other comprehensive income:

- a. The financial asset is held for a specific business model, and the purpose of which involves collection of contractual cash flow and resale of the financial asset; and
- b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accounts receivable at fair value through other comprehensive income are measured at fair value. In the movement of carrying amount, the foreign currency gains or losses and impairment gains or losses or gains on reversal are recognized directly in profit or loss.

(2) Impairment of financial assets

The Company and its subsidiaries recognize the impairment loss on financial assets measured at amortized cost (including accounts receivable) and accounts receivable at fair through other comprehensive income based on expected credit losses on each balance sheet date.

The allowance for loss of accounts receivables is measured at an amount equal to lifetime expected credit losses. For the other financial assets, when the credit risk thereon has not increased significantly since initial recognition, the allowance for loss is recognized at an amount equal to expected credit loss within 12 months. Otherwise, the allowance for loss shall be recognized at an amount equal to lifetime expected credit loss.

The expected credit loss refers to the weighted average credit loss based on the default risk. The expected credit loss within 12 months represents the expected credit loss on financial instruments caused by potential defaults within 12 months after the reporting date. The lifetime expected credit loss represents the expected credit loss on financial instruments caused by potential defaults within the expected lifetime of the instruments.

For the purpose of internal credit risk management, without taking into account the collaterals held by it, the Company and its subsidiaries will determine the following circumstances as a constitution of a breach of contract:

- A. There is internal or external information showing that the debtor is not likely to discharge the debt.
- B. Overdue for more than 90–120 days, unless some reasonable and sufficient information showing that the basis for overdue performance was fair.

The impairment loss on all financial assets should be deducted from the carrying amount of financial assets through the account of

the allowance for loss, provided that the allowance for loss of the investment of debt instrument at fair value through other comprehensive income is stated as other comprehensive income, which does not reduce the carrying amount of the financial assets.

(3) Derecognition of financial assets

Financial assets can be removed by the Company and its subsidiaries from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all risks and returns assumed by another party.

On the full derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is stated as income. Where the accounts receivable at fair value through other comprehensive income is derecognized en masse, the difference between the carrying amount and collected consideration plus any accumulated profit or loss recognized as other comprehensive income is recognized into profit or loss.

2. Equity instruments

The liabilities and equity instruments issued by the Company are categorized as financial liabilities or equity based on the substance of the contract agreement and the definition of financial liabilities and equity instruments.

The equity instruments issued by the Company are recognized based on the acquisition price less direct issuing cost.

The Company's own equity instruments re-acquired are derecognized and deducted under the equity title. Acquisition, sale, issuance, or cancellation of the Company's own equity instruments would not be recognized as income.

3. Financial liabilities

(1) Subsequent measurement

Except the following, the financial liabilities held by the Company and its subsidiaries are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities held for trading

Any gain or loss arising from the financial liabilities held for trading is recognized into other gains and losses.

(2) Derecognition of financial liabilities

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

4. Convertible corporate bond

The elements of the compound financial instruments (convertible corporate bonds) issued by the Company are classified as financial liabilities or equity at the initial recognition, in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the initial recognition, the fair value of liability elements is calculated based on the prevailing market interest rate applicable to a

similar non-convertible instrument, and measured at the amortized cost using the effective interest method before execution of the conversion or the expiration date. The liability elements, such as embedded non-equity derivative instruments, are measured at fair value.

The right of conversion of that classified as equity is equivalent to the balance after the fair value of the compound instruments less the fair value of liability elements decided independently, and stated as equity after deduction of income tax effects. No subsequent measurement will be conducted. After the right of conversion is executed, the related liability elements and amount of equity will be re-stated as capital stock and capital surplus - premium in stock issuance. If the right of conversion for convertible corporate bonds has not been executed on the expiration date, the amount stated as equity will be re-stated into capital surplus - premium in stock issuance.

The trading cost related to issuance of convertible corporate bonds is allocated to the liability (stated into the carrying amount of the liability) and equity elements (stated into equity) of the instrument on a pro rata basis subject to the total price to be amortized.

5. Derivative instruments

Initial recognition of the derivative instruments is measured at fair value upon execution of the derivative instrument contract, and is re-measured subsequently based on the fair value on the balance sheet date. The profit or loss generated from the subsequent measurement is directly recognized in the profit or loss. When the fair value of the derivatives is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

(XII) Recognition of revenue

The Company and its subsidiaries identify contracts with customers, allocate the transaction price to the performance obligations, and recognize revenue when performance obligations are satisfied.

For any contract in which the time interval between transfer of commodities and collection of consideration is no more than one year, no adjustment will be made on the transaction price with respect to the financing component thereof.

The expected lifetime of the Company's and its subsidiaries' contracts which doesn't exceed one year, and no consideration for the contracts with customers was excluded from the trading price. Therefore, the Company may apply the practical expedient policy and refrain from disclosing (1) the aggregate amount of transaction price amortized by the performance obligation which has not yet been satisfied, or has been satisfied only in part, at the end of the reporting period, and (2) the expected timing to recognize it as revenue, when performing obligations.

Revenue from sale of goods

The revenue from sale of goods is generated from the stainless steel shearing, splitting, surface treatment, processing and trading, and import & export of stainless steel products. Considering that customers already have the right to set price and use products, and take the responsibility for re-sale and bear the liability for resale when the products arrive at the destination designated by customers or are shipped, the Company and its subsidiaries recognize the revenue and receivable accounts at the same time. The receipts in

advance from sale of products is stated as contract liabilities before arrival or delivery of the products.

In the event of processing subcontract, the control over ownership of the processed products is not transferred. Therefore, no revenue is recognized at the time of processing subcontract.

(XIII) Lease

The Company and its subsidiaries evaluate whether a contract meets the criteria of (or includes arrangements characterized as) lease on the day of establishment.

1. The Company and its subsidiaries as the lessor

In an event all risks and remuneration of the ownership of the assets based on the leasehold terms and conditions are transferred to the lessees in full, such assets should be classified as financing leasehold. All other leaseholds are classified as operational leasehold.

In the operating lease, the lease payment is recognized as revenue under the straight-line method during the lease term. The original direct cost generated from acquisition of the operating lease is the book amount added to the underlying asset and is recognized as expense during the duration of leasehold on the straight-line basis.

When a lease includes both land and buildings elements, the Company and its subsidiaries assess the classification of each element as a financing lease or an operating lease separately based on if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The lease payments shall be allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold rights in the land element and buildings element of the lease on the date when the contract is established. If the lease payments can be allocated reliably between these two elements, each element is treated based on the applicable classes of lease. If the lease payments cannot be allocated reliably between these two elements, the entire lease is classified as a finance lease, unless it is clear that both elements are operating leases, in which case, the entire lease is classified as an operating lease.

2. The Company and its subsidiaries as the lessee

The lease payments applicable to the recognized waived low-valued underlying asset lease and the short-term lease are recognized as expenses on the straight-line basis over the lease period. For all other leases, the right-of-use assets and lease liabilities are recognized from the starting date of leases.

The right-of-use assets are initially measured at the costs (including the initially measured amount of lease liability, the lease payment paid before the lease starts less the received lease incentives, initial direct cost and estimated cost for recovery of the underlying assets); subsequently, they are measured at the costs deducting the accumulated depreciation and the loss of impairment, and the re-measurement of the lease liability is adjusted. Unless being qualified for the defined investment oriented property, the right-of-use assets are individually expressed in the balance sheet. For the recognition and measurement of the right-of-use assets that satisfy the definition of investment property, please refer to said investment property accounting policy.

The right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life or upon expiry of the lease period, whichever is earlier.

The lease liabilities are initially measured at the present value of the lease payment (including fixed payment, substantial fixed payment, variable lease payment depending on any index or fares, expected amount of payment from the lessee under the remaining value guarantee, the exercise price of the call option that is reasonably believed to be exercised, and the reflected penalties for termination of lease during the lease period, and deduction of the received lease incentives). If the implied interest rate of a lease is easy to be confirmed, the rate is applied to discount the lease payment. If the rate is not easy to be confirmed, the lessee incremental borrowing rate of interest will be applied.

Subsequently, the lease liabilities are measured at the amortized cost under the effective interest method, and the interest expense are allocated during the lease periods. If there is any change in the lease period, the expected amount of payment under the remaining value guarantee, the evaluation of the call option of the underlying assets, or the indexes or fares determining the lease payments will result in changes of future lease payment, the Company re-measures the lease liabilities, and relatively adjusts the right-of-use assets; provided the book value of the right-of-use asset has decreased to zero, the remaining re-measured amount is recognized in the income. For the leasehold modification not treated as the separate leasehold, the lease liability remeasurement resulting from reduction of the scope of lease refers to reduction of the right-of-use assets, and profit or loss from termination of the lease, in whole or in part, is recognized. The lease liability remeasurement resulting from other modifications refers to adjustment of the right-of-use assets. The lease liabilities are presented individually on the balance sheet.

The variable rents not depending on any index or fees in a lease agreement are recognized as expenses of the period when it occurs.

(XIV) Costs of loan

The loan cost of the assets that meet the essential requirement and directly attributable to the acquisition, construction, or production of assets is deemed as part of the asset cost until all of the necessary activities completed for the asset to reach its intended use or sales state. All other loan costs are recognized as profit or loss upon the occurring year.

(XV) Government subsidies

Government subsidies are recognized only when it is reasonably certain that the Company and its subsidiaries will comply with the conditions attached to the government subsidies and will receive the subsidies.

Government subsidies are recognized on a systematic basis during the period when the related costs that they intend to offset are recognized as expenses by the Company and its subsidiaries. The government subsidies for acquisition of noncurrent assets by the Company and its subsidiaries through procurement/construction or in any other manners should be debited into the carrying amount of the noncurrent assets, and recognized into profit or loss within the useful years of the assets by reducing the depreciation or amortization expenses for the noncurrent assets.

(XVI) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

(XVII) Share-based payment agreement

The equity settlement share-based payment made to the employees is recognized as expenses on a straight-line basis within the vested period, based on the fair value of equity instruments and best estimate quantity of expected vested equity instruments on the grant date. Meanwhile, the capital surplus - stock options is adjusted. If it is vested immediately on the grant date, it shall be recognized as expenses in whole on the grant date. If the Company retains shares for subscription by employees in any cash capital increase project, the grant date shall be identified as the date when the number of shares subscribed for by the employees is confirmed. In the case of transfer of treasury stock to employees, the grant date shall be identified as the date when the Board of Directors approves the transfer.

(XVIII) Income tax

Income tax expenses (gains) refer to the sum of the current income tax and deferred income tax.

1. Current income tax

The Company and its subsidiaries determine current income (loss) in accordance with the laws and regulations established by each income tax reporting jurisdiction, so as to calculate the income tax payable (recoverable).

Income tax on undistributed surplus earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China and recognized in the annual resolution of the shareholders' meeting.

The adjustment to prior period income tax payable is recognized into current income tax.

2. Deferred income tax

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

Deferred income tax liability is generally recognized for all taxable temporary differences, while deferred income tax asset is recognized is recognized for deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company are 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 income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed on each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred income tax asset is also reviewed on each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

Deferred income 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 realized, based on tax rates and tax laws that have been enacted or substantively enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company and its subsidiaries expect, on the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

The Company and its subsidiaries have applied the recognition of deferred income tax assets and liabilities and exceptional condition for the disclosure related to the income tax under Pillar 2. Therefore, the Company and its subsidiaries do not recognize the deferred income tax assets and liabilities related to the income tax under Pillar 2 or disclose any related information.

3. Current and deferred income taxes

Current and deferred income taxes are recognized into the income, except for the current and deferred income taxes related to the items recognized in other comprehensive income are recognized into other comprehensive income or directly included in the equity.

V. Significant accounting judgments, and major sources of estimation and assumption uncertainty

In the application of the Company's and its subsidiaries' accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The actual consequences might differ from the estimates.

When the Company and its subsidiaries develop significant accounting estimates, they will include the possible impact into the estimation of cash flow, growth rate, discount rate, profitability and other related major accounting estimates. 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	\$ 508	\$ 104
Bank checks and demand deposit	131,191	169,674
Cash equivalents		
Time deposit with initial maturity date within three months	14,283	54,908
	<u>\$145,982</u>	<u>\$224,686</u>

(I) The annual interest rate ranges for cash equivalents on the balance sheet date are stated as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Bank time deposits (%)	2.00~4.58	1.70~4.70

(II) The Company's and its subsidiaries' trading counterparties and performing parties are reputable financial institutions with no significant performance concerns. Therefore, there is no significant credit risk.

VII. Notes and accounts receivable, net

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Notes receivable - from operations</u>		
Measured at amortized cost	<u>\$ 15,460</u>	<u>\$ 81,833</u>
<u>Accounts receivable, net - from operations</u>		
Total carrying amount measured at amortized cost	\$ 1,107,522	\$ 937,988
Less: Loss allowance	( <u>41,002</u> )	( <u>39,065</u> )
	1,066,520	898,923
At fair value through other comprehensive income	<u>11,605</u>	<u>27,219</u>
	<u>\$ 1,078,125</u>	<u>\$ 926,142</u>

(I) Notes receivable and accounts receivable measured at amortized cost

The Company's and its subsidiaries' average credit period for sale of goods ranges from 30 days to 120 days. To reduce the credit risks, the Company's and its subsidiaries' management have assigned the dedicated team to decide the limit of facility, approve the loan and track the overdue payment, to ensure the proper actions have been taken for the recovery of overdue receivables. The Company and its subsidiaries would, on the balance sheet date, recheck the recoverable amounts of the accounts receivable one by one, in order to assure that appropriate impairment allowance has been duly provided for uncollected accounts receivable. Given this, the Company's management believe that the Company's and its subsidiaries' credit risk should have been significantly reduced.

The Company and its subsidiaries recognize loss allowance for accounts receivable based on the lifetime expected credit loss. The lifetime expected credit losses are calculated using the reserve matrix, by considering the past default records and current financial position of customers, industrial economic situations, and also the GDP forecast and industrial outlooks. As the Company's and its subsidiaries' credit loss history showed that there was no significant difference among the loss patterns of different customer bases, the reserve matrix doesn't further divide the customer bases, but only establishes the expected credit losses based on the number of days for which the accounts receivable become overdue.

The Company and its subsidiaries writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivables that have been written off, the Company and its subsidiaries would continue to

engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, they are recognized into the income.

The loss allowance for notes and accounts receivable measured by the Company and its subsidiaries using the reserve matrix are as follows:

December 31, 2024

	<u>Trading counterparty has no sign of default.</u>			Trading counterparty has the sign of default.	<u>Total</u>
	<u>Not past due</u>	<u>Overdue for 1–90 days</u>	<u>Overdue for 91–180 days</u>		
Expected credit loss rate (%)	-	0~0.5	3	100	
Total carrying amount	\$ 913,693	\$ 168,453	\$ 669	\$ 40,167	\$ 1,122,982
Loss allowance (lifetime expected credit losses)	-	( 815)	( 20)	( 40,167)	( 41,002)
Amortized cost	<u>\$ 913,693</u>	<u>\$ 167,638</u>	<u>\$ 649</u>	<u>\$ -</u>	<u>\$ 1,081,980</u>

December 31, 2023

	<u>Trading counterparty has no sign of default.</u>		Trading counterparty has the sign of default.	<u>Total</u>
	<u>Not past due</u>	<u>Overdue for 1–90 days</u>		
Expected credit loss rate (%)	-	0.5	100	
Total carrying amount	\$ 927,062	\$ 53,924	\$ 38,835	\$ 1,019,821
Loss allowance (lifetime expected credit losses)	-	( 230)	( 38,835)	( 39,065)
Amortized cost	<u>\$ 927,062</u>	<u>\$ 53,694</u>	<u>\$ -</u>	<u>\$ 980,756</u>

The information about changes in the loss allowance for notes and accounts receivable are as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning	\$ 39,065	\$ 40,154
Impairment loss provided in the current year	598	45
Actual write-offs for the current year	-	( 92)
Foreign currency exchange difference	<u>1,339</u>	( <u>1,042</u> )
Balance, ending	<u>\$ 41,002</u>	<u>\$ 39,065</u>

(II) Accounts receivable at fair value through other comprehensive income

Subject to the operating fund, the Company decides to proceed with the factoring of accounts receivable to banks without recourse, or not to do so. The management model by which the Company manages such accounts receivable also achieves the intended purpose by collecting the contractual cash flows and selling financial assets. Therefore, such accounts receivable are measured at fair value through other comprehensive income.

The loss allowance on accounts receivable at fair value through other comprehensive income measured by the Company using the reserve matrix is stated as follows:

December 31, 2024

	<u>Not past due</u>	<u>Total</u>
Expected credit loss rate (%)	-	
Total carrying amount	\$ 11,605	\$ 11,605
Loss allowance (lifetime expected credit losses)	<u>-</u>	<u>-</u>
	<u>\$ 11,605</u>	<u>\$ 11,605</u>

December 31, 2023

	<u>Not past due</u>	<u>Total</u>
Expected credit loss rate (%)	-	
Total carrying amount	\$ 27,219	\$ 27,219
Loss allowance (lifetime expected credit losses)	<u>-</u>	<u>-</u>
	<u>\$ 27,219</u>	<u>\$ 27,219</u>

For the information about factoring of accounts receivable between the Company and subsidiary, please refer to Note 25. For the information about export bill negotiation for accounts receivable, please refer to Note 27.

VIII. Inventory

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Finished goods	\$ 1,178,695	\$ 944,746
Goods in process	224,032	468,372
Raw materials	1,417,318	1,002,847
Supplies	<u>94,802</u>	<u>94,809</u>
	<u>\$ 2,914,847</u>	<u>\$ 2,510,774</u>

The operating costs related to inventories were NT\$9,679,325 thousand and NT\$11,425,845 thousand in 2024 and 2023, respectively, including the gain on reversal from net realizable value of inventory amounting to NT\$22,500 thousand and the losses from inventory price decline amounting to NT\$61,627 thousand.

The increase in the net realizable value of inventories is a result of the increase in the selling price on the market.

IX. Other financial assets – current

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Pledged bank deposit	\$ 122,147	\$ 108,793
Time deposit with initial maturity date more than three months away	-	3,224
Others	<u>-</u>	<u>3</u>
	<u>\$ 122,147</u>	<u>\$ 112,020</u>

The annual interest rates for the bank deposits were 0.10%~1.28% and 0.05%~4.33% on December 31, 2024 and 2023, respectively.

The Company's and its subsidiaries' trading counterparties and performing parties are reputable financial institutions with no significant performance concerns. Therefore, there is no significant credit risk.

For the amounts of other financial assets furnished by the Company and its subsidiaries to secure loans, please refer to Note 27.

X. Property, plant and equipment

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
For own use	<u>\$4,257,768</u>	<u>\$4,286,058</u>

2024

	Land	Building and ancillary equipment	Machinery and equipment	Other equipment	Construction in progress and equipment pending inspection	Total
<u>Costs</u>						
Balance on January 1, 2024	\$ 681,489	\$ 2,332,789	\$ 3,213,384	\$ 98,593	\$ 1,224	\$ 6,327,479
Additions	-	21,182	71,894	11,075	3,300	107,451
Disposal	-	( 3,844)	( 6,311)	( 9,990)	-	( 20,145)
Reclassified	-	3,901	-	-	( 3,901)	-
Net exchange difference	-	62,893	96,989	2,038	-	161,920
Balance on December 31, 2024	<u>\$ 681,489</u>	<u>\$ 2,416,921</u>	<u>\$ 3,375,956</u>	<u>\$ 101,716</u>	<u>\$ 623</u>	<u>\$ 6,576,705</u>
<u>Accumulated depreciation</u>						
Balance on January 1, 2024	\$ -	\$ 422,028	\$ 1,550,313	\$ 69,080	\$ -	\$ 2,041,421
Depreciation expenses	-	74,561	157,308	9,773	-	241,642
Disposal	-	( 584)	( 6,195)	( 9,982)	-	( 16,761)
Net exchange difference	-	7,092	43,873	1,670	-	52,635
Balance on December 31, 2024	<u>\$ -</u>	<u>\$ 503,097</u>	<u>\$ 1,745,299</u>	<u>\$ 70,541</u>	<u>\$ -</u>	<u>\$ 2,318,937</u>
Net on December 31, 2024	<u>\$ 681,489</u>	<u>\$ 1,913,824</u>	<u>\$ 1,630,657</u>	<u>\$ 31,175</u>	<u>\$ 623</u>	<u>\$ 4,257,768</u>

2023

	Land	Building and ancillary equipment	Machinery and equipment	Other equipment	Construction in progress and equipment pending inspection	Total
<u>Costs</u>						
Balance on January 1, 2023	\$ 681,489	\$ 2,258,671	\$ 3,155,925	\$ 92,229	\$ 139,198	\$ 6,327,512
Additions	-	18,406	58,875	8,208	40,284	125,773
Disposal	-	-	-	( 260)	-	( 260)
Reclassified	-	104,482	73,212	-	( 177,694)	-
Net exchange difference	-	( 48,770)	( 74,628)	( 1,584)	( 564)	( 125,546)
Balance on December 31, 2023	<u>\$ 681,489</u>	<u>\$ 2,332,789</u>	<u>\$ 3,213,384</u>	<u>\$ 98,593</u>	<u>\$ 1,224</u>	<u>\$ 6,327,479</u>
<u>Accumulated depreciation</u>						
Balance on January 1, 2023	\$ -	\$ 358,159	\$ 1,428,938	\$ 59,584	\$ -	\$ 1,846,681
Depreciation expenses	-	68,921	154,202	10,980	-	234,103
Disposal	-	-	-	( 260)	-	( 260)
Net exchange difference	-	( 5,052)	( 32,827)	( 1,224)	-	( 39,103)
Balance on December 31, 2023	<u>\$ -</u>	<u>\$ 422,028</u>	<u>\$ 1,550,313</u>	<u>\$ 69,080</u>	<u>\$ -</u>	<u>\$ 2,041,421</u>
Net on December 31, 2023	<u>\$ 681,489</u>	<u>\$ 1,910,761</u>	<u>\$ 1,663,071</u>	<u>\$ 29,513</u>	<u>\$ 1,224</u>	<u>\$ 4,286,058</u>

Depreciation of the Company's and its subsidiaries' property, plant and equipment is provided on a straight-line basis over useful years shown as follows:

Building and ancillary equipment	
Engineering, plant and office	15–40 years
Air conditioning, machine electronics and decoration	3–18 years
Machinery and equipment	1–30 years
Other equipment	3–10 years

For the amounts of property, plant and equipment for own use as furnished by the Company and its subsidiaries to secure loans, please refer to Note 27.

XI.

Lease agreement

(I) Right-of-use assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Carrying amount of right-of-use assets		
Land	\$110,165	\$109,073
Other equipment	<u>29</u>	<u>141</u>
	<u>\$110,194</u>	<u>\$109,214</u>
	<u>2024</u>	<u>2023</u>
Depreciation expenses of right-of-use assets		
Land	\$ 2,650	\$ 2,605
Other equipment	<u>112</u>	<u>112</u>
	<u>\$ 2,762</u>	<u>\$ 2,717</u>

Except said recognized depreciation expenses, no sublease or impairment on the right-of-use assets of the Company and its subsidiaries has taken place in 2024 and 2023.

(II) Lease liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Carrying amount of lease liabilities		
Current	<u>\$ 29</u>	<u>\$ 142</u>

Discount rate range (%) of lease liabilities are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Other equipment	1.15	1.15

(III) Important lease activities and terms

The right-of-use assets are primarily the rights to use the land rented in Ninghai County, Zhejiang Province, China, effective for 50 years and expired in August 2066.

(IV) Information about other leases

	<u>2024</u>	<u>2023</u>
Short-term lease expenses	<u>\$ 334</u>	<u>\$ 281</u>
Total cash outflows from lease	<u>\$ 448</u>	<u>\$ 395</u>

For the information about mortgage of the Company's and its subsidiaries' right-of-assets, please refer to Note 27.

XII. Investment property

The Company's investment property refers to the land leased to non-related parties, without the appraisal conducted by an independent appraiser but based on the actual price registration information about neighboring areas referred to by the Company's management or the recent transaction price, as measured under Level 3 inputs. The fair values of the investment property were NT\$61,658 thousand and NT\$49,443 thousand, respectively, on December 31, 2024 and 2023.

The investment property owned by the Company is in its own interests. For the amounts of investment property furnished to secure loans, please refer to Note 27.

XIII. Loans

(I) Short-term loans

The short-term borrowings of the Company and its subsidiaries are letters of credit from banks, credit loans and export bills. The range of annual interest rate on the balance sheet date is stated as following:

<u>Annual interest rate (%)</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Letter of credit and credit loan	1.82~5.09	1.65~6.17
Export bill negotiation	3.35~5.44	3.45~6.36

(II) Short-term notes and bills payable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Taiwan Cooperative Bills Finance Corporation	\$100,000	\$100,000
China Bills Finance Corporation	80,000	80,000
Ta Ching Bills Finance Corporation	80,000	80,000
Mega Bills	60,000	60,000
Union Bank of Taiwan	40,000	-
Dah Chung Bills Finance Corp.	-	50,000
	<u>\$360,000</u>	<u>\$370,000</u>

The annual interest rates were 2.09%~2.12% and 1.99%~2.00% on December 31, 2024 and 2023, respectively.

(III)	Long-term loans		
		<u>December 31, 2024</u>	<u>December 31, 2023</u>
	Pledged borrowings (Note 27)		
	Matured between February 2026 and September 2026	\$ 947,136	\$ 1,153,680
	Less: Unamortized deferred sponsorship fees	<u>1,056</u>	<u>1,979</u>
		946,080	1,151,701
	Less: Long-term loans, current portion	<u>157,344</u>	<u>147,648</u>
	Long-term loans	<u>\$ 788,736</u>	<u>\$ 1,004,053</u>
	Annual interest rate (%)	2.03~5.83	1.90~6.75

In order to repay the bank loans, cover subsidiaries' capital expenditure and enrich mid- and long-term working fund, the Company and its subsidiary, Surewin Global Limited (HK), executed 5-year joint credit contracts with the syndicate including E.SUN BANK, et al. in January 2021, granting the facilities NT\$850,000 thousand and US\$24,000 thousand.

In addition to the related requirements, said joint credit contracts also provided that the Company should, based on the annual consolidated financial statements, maintain the specific current ratio, liability ratio and tangible net worth in the duration of the loans. The Company satisfied said requirements on December 31, 2024 and 2023.

XIV. Corporate bonds payable

		<u>December 31, 2023</u>
Domestic 4th unsecured convertible corporate bonds		\$ 2,400
Add: Premium on corporate bonds payable		<u>39</u>
		2,439
Less: Corporate bonds payable - current portion		<u>2,439</u>
Corporate bonds payable		<u>\$ -</u>

The Company issued domestic 4th unsecured convertible corporate bonds at par value of NT\$100 thousand in November 2021, and the total issued amount NT\$300,000 thousand, subject to the coupon rate 0%, effective for 3 years. The underwriting of corporate bonds was completed in the form of auction. The actual issue price was 111.60% of the par value, and the actual amount as raised was NT\$334,810 thousand.

Each unit corporate bond holder is entitled to suspend book closure pursuant to laws and also claim conversion into the Company's ordinary shares at the prevailing conversion price per share within 3 months from the date of issuance until the maturity date. The conversion price prevailing at the time of issuance was NT\$31.5. Subsequently, if the conversion price meets the anti-dilution circumstance, it will be adjusted pursuant to the Regulations. The conversion price was NT\$27.3 on December 31, 2023.

Where, from the date following expiration of 3 months upon the date of issuance until 40 days prior to expiration of the issuance period, the closing price of the Company's ordinary share exceeds more than 30% of the conversion price for 30 business days of TWSE consecutively, or the balance of outstanding corporate bonds is less than 10% of the original total issued amount, the Company may redeem the whole bonds in cash at the par value earlier.

The corporate bond holders may demand that the Company should redeem the corporate bonds held by them at the par value of the bond plus the interest compensation at 1.0025% upon expiration of two years after issuance of the corporate bonds. During the issuance period, the corporate bonds redeemed by the bond holders earlier have amounted to NT\$297,600 thousand. The Company repurchased a total of 2,976 units at the price of NT\$300,584 thousand.

Said convertible corporate bonds on the date of issuance included the liability elements, namely main contract and call/put options (stated as corporate bonds payable and financial assets at fair value through profit or loss) and right of conversion (stated as capital surplus). The effective interest rate initially recognized for the corporate bonds payable was -1.96%. The amount initially recognized for the financial assets at fair value through profit or loss was NT\$435 thousand. The amount initially recognized for the equity element, namely capital surplus, was NT\$12,894 thousand.

In January 2024, the Company redeemed the outstanding bonds at a face value of NT\$2,400 thousand in cash.

	<u>December 31, 2023</u>
Issue price (less the trading cost NT\$4,200 thousand)	\$330,610
Call/put right	435
Trading cost stated into income	( 5 )
Equity elements (less the trading cost amortized into equity, NT\$164 thousand)	( <u>12,894</u> )
Liability elements on the date of issuance	318,146
Interest calculated based on the effective interest rate, -1.96%	( 12,718 )
Redemption of corporate bonds	( <u>302,989</u> )
Liability elements	<u>\$ 2,439</u>

XV. Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Insurance premium payable	\$ 62,400	\$ 62,427
Salary and bonus payable	53,979	42,276
Import & export expenses payable	36,768	30,379
Packaging expenses payable	8,658	14,515
Interest payable	6,364	8,549
Remuneration payable to employees and directors	\$ 5,852	\$ -
Payables for equipment and engineering	5,153	6,310
Others	<u>54,675</u>	<u>45,420</u>
	<u>\$233,849</u>	<u>\$209,876</u>

XVI. Retirement benefits plan

- (I) The Company adopts a pension system under Taiwan's Labor Pension Act, which is a state-managed defined contribution plan. Under the plan, a company shall make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.
- (II) The subsidiary in China, Ningbo Qiyi, and its local workers also contribute the endowment insurance equivalent to specific percentage of the workers' wage, respectively, to the competent government agencies, in accordance with the related laws and regulations of China.

XVII. Equity

- (I) Capital stock

Ordinary share capital

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Authorized shares (in thousand shares)	<u>220,000</u>	<u>220,000</u>
Authorized capital stock	<u>\$ 2,200,000</u>	<u>\$ 2,200,000</u>
The number of issued and outstanding shares with paid-in capital (in thousand shares)	<u>166,387</u>	<u>166,387</u>
Issued capital stock	<u>\$ 1,663,868</u>	<u>\$ 1,663,868</u>

The ordinary shares are issued with par value of NT\$10 per share with one voting right and right to collect dividends for each.

- (II) Capital surplus

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
It can be applied for make-up of losses, cash distribution, or capitalization (Note 1)		
Premium in stock issuance	\$ 664,259	\$ 747,452
Corporate bond conversion premium	155,165	155,165
Expired stock options	27,995	27,892
Treasury stock trading (Note 22)	\$ 6,543	\$ 6,543
It can only be applied for make-up of losses.		
Recognition of changes in ownership interests in subsidiaries (Note 2)	388,298	388,298
Others	870	870
Not for any purposes		
Recognized equity elements of corporate bonds issued by the Company (Note 14)	<u>-</u>	<u>103</u>
	<u>\$ 1,243,130</u>	<u>\$ 1,326,323</u>

Note 1: Such capital surplus can be used to make up for losses. Meanwhile, when the Company suffers no losses, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

Note 2: Such capital surplus refers to the equity trade effect recognized due to the changes in the subsidiary's equity when the Company has not actually acquired or disposed the equity of the subsidiary, or the amount of adjustment to the capital surplus of the subsidiary recognized under the equity method.

(III) Retained earnings and dividend policy

According to the Articles of Incorporation, if there is a surplus after account settlement of the fiscal year, the Company shall pay applicable taxes and cover loss carried forward, followed by the allocation in the following order:

1. Set aside 10% of the balance, if any, as the legal reserve.
2. Provision or reversal of special reserve pursuant to laws.
3. The balance, if any, plus the undistributed earnings for the previous years shall be allocated according to the earnings appropriation proposal submitted by the Board of Directors as resolved by a shareholders' meeting.

The Company's dividend policy is set forth in response to the current and future development plan and by taking into consideration the investment environment, funding needs and domestic/foreign competition, as well as shareholders' equity. The Company may distribute no less than 20% of the distributable earnings generated in the current year as the shareholder dividend and bonus in that year. The shareholder dividend and bonus may be allocated in cash or in the form of stock, provided that the cash dividend allocable shall be no less than 20% of the total dividends.

The legal reserve should be contributed until its balance reaches the Company's total paid-in capital stock. The legal reserve can be appropriated to cover previous losses. Where the Company doesn't operate at a loss, the part of the legal reserve in excess of 25% of the paid-in capital could be applied for capitalization and may be allocated in cash as well.

The Company has special reserve appropriated and reversed in accordance with the order under Jin-Guan-Zhen-Fa-Zi No. 1090150022 and "Appropriation of Special Reserve Q&A after the Adoption of International Financial Reporting Standards (IFRSs)."

The Company resolved at the annual general meetings convened on June 6, 2024 and June 9, 2023 about distribution of earnings of 2023 and 2022 as follows:

	Earnings appropriation proposal		Dividend per share (NT\$)	
	2023	2022	2023	2022
Legal reserve	\$ -	\$ 19,458		
Provision (reversal) of special reserve	65,231	( 46,558)		
Cash Dividend	<u>-</u>	<u>165,037</u>	\$ -	\$ 1.00
	<u>\$ 65,231</u>	<u>\$137,937</u>		

The Company's annual general meeting on June 6, 2024 resolved to distribute cash from capital surplus. Specifically, the Company would distribute NT\$83,193 thousand from the capital surplus generated from the consideration issued at premium of the par value. Such distribution will be made at NT\$0.5 per share.

The Company convened the Board of Directors meeting on March 6, 2025 to resolve the 2024 earnings appropriation proposal as follows:

	Earnings appropriation proposal	Dividend per share (NT\$)
Legal reserve	<u>\$ 22,540</u>	
Reversal of special reserve	( 83,472)	
Cash Dividend	<u>149,748</u>	\$ 0.9
	<u>\$ 88,816</u>	

The 2024 earnings appropriation proposal is pending resolution by the annual general meeting to be convened on May 27, 2025.

(IV) Special reserve

The amount stated as accumulated translation adjustments restated into retained earnings upon the first-time application of IFRSs was NT\$29,835 thousand. Because the amount of increase in retained earnings after first-time adoption of IFRSs was relatively low, the Company only provided for special reserve on the NT\$16,894 thousand increase in retained earnings that occurred following the adoption of IFRSs.

When distributing earnings, the Company shall provide the special reserve for the difference between the net deduction under other shareholders' equity and the special reserve provided upon the first-time adoption of IFRSs. After that, if there is any reversal for the deduction under other shareholders, the reversed portion may be distributed of earnings.

(V) Other equity items

Changes in the exchange differences on translation of foreign financial statements are stated as follows:

	2024	2023
Balance, beginning	<u>(\$217,767)</u>	<u>(\$152,535)</u>
Exchange differences on translation of foreign financial statements	<u>83,471</u>	<u>( 65,232)</u>
Balance, ending	<u>(\$134,296)</u>	<u>(\$217,767)</u>

(VI) Treasury stocks

In order to transfer shares to employees, the Board of Directors resolved on March 20, 2020 to repurchase the treasury stocks on March 23, 2020 and May 19, 2020. The number and amount of shares are 2,700 thousand shares and NT\$40,788 thousand. Pursuant to the Securities and Exchange Act, the treasury stocks held by the Company cannot be pledged. Meanwhile, they are not entitled to the privilege of dividends and voting rights.

The Board of Directors resolved in September 2023 and December 2020 to allocate the treasury stock totaling 1,350 thousand shares for subscription by employees, which has been recognized as the compensation costs, NT\$4,036

thousand and NT\$3,902 thousand, respectively, in 2023 and 2020. The Company has transferred the shares to the employees at the price of NT\$14.07 and NT\$15.11 per share in October 2023 and January 2021.

XVIII. Revenue

	<u>2024</u>	<u>2023</u>
Revenue from customer contracts		
Revenue from sale of goods	<u>\$ 10,714,847</u>	<u>\$ 11,837,852</u>

(I) For the notes to customer contracts, please refer to Note 4.

(II) Contract balance

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Notes receivable (Note 7)	\$ 15,460	\$ 81,833	\$ 34,258
Accounts receivable, net (Note 7)	<u>1,078,125</u>	<u>926,142</u>	<u>757,189</u>
	<u>\$ 1,093,585</u>	<u>\$ 1,007,975</u>	<u>\$ 791,447</u>
Contract liabilities — current			
Sale of goods	<u>\$ 177,075</u>	<u>\$ 156,739</u>	<u>\$ 190,992</u>

The change in contract liabilities primarily results from the difference between the point in time when the Company satisfies the performance obligation and the point in time when the customers make payment. Notwithstanding, no significant changes took place in 2024 and 2023.

Amount of the contract liabilities from the beginning of the year recognized in the revenue in the current period:

	<u>2024</u>	<u>2023</u>
Sale of goods	<u>\$156,105</u>	<u>\$190,279</u>

(III) Breakdown of revenue from customer contracts

For the information about breakdown of revenue, please refer to Note 31.

XIX. Net profit (loss) before tax

(I) Interest revenue

	<u>2024</u>	<u>2023</u>
Bank deposits	\$ 5,151	\$ 5,196
Amortization of premium on convertible corporate bonds	<u>4</u>	<u>5,534</u>
	<u>\$ 5,155</u>	<u>\$ 10,730</u>

(II) Other revenue

	<u>2024</u>	<u>2023</u>
Revenue from government subsidies	\$ 20,348	\$ 19,622
Rental revenue	3,133	2,650
Others	<u>2,201</u>	<u>2,921</u>
	<u>\$ 25,682</u>	<u>\$ 25,193</u>

The revenue from government subsidies was primarily generated from the incentives granted by State Taxation Administration of The People's Republic of China to high-tech enterprises.

(III)	Other gains and losses		
		<u>2024</u>	<u>2023</u>
	Net foreign exchange gains	\$ 18,425	\$ 897
	Gains from disposal of property, plant and equipment	3,005	-
	Net gains from financial assets and liabilities at fair value through profit or loss	118	2,894
	Gains on redemption of corporate bonds	35	2,405
	Others	( <u>23</u> )	( <u>3,132</u> )
		<u>\$ 21,560</u>	<u>\$ 3,064</u>
(IV)	Financial costs		
		<u>2024</u>	<u>2023</u>
	Total interest expenses on financial liabilities measured at amortized cost	\$169,322	\$184,303
	Other financial costs	<u>1,156</u>	<u>2,303</u>
		<u>\$170,478</u>	<u>\$186,606</u>
(V)	Depreciation and amortization		
		<u>2024</u>	<u>2023</u>
	Property, plant and equipment	\$241,642	\$234,103
	Right-of-use assets	2,762	2,717
	Intangible Assets (stated into other non-current assets)	<u>59</u>	<u>58</u>
	Total	<u>\$244,463</u>	<u>\$236,878</u>
	Summarization of depreciation expenses by function		
	Operating Cost	\$222,066	\$215,196
	Operating expenses	<u>22,338</u>	<u>21,624</u>
		<u>\$244,404</u>	<u>\$236,820</u>
	Summarization of amortization expenses by function		
	Operating expenses	<u>\$ 59</u>	<u>\$ 58</u>

(VI)	Employee benefit expenses		
		<u>2024</u>	<u>2023</u>
	Salary, dividend and bonus	\$ 329,245	\$ 307,208
	Retirement benefits		
	Defined contribution plan	20,190	18,736
	Labor/national health insurance premium	11,481	11,463
	Other employee benefits	<u>37,934</u>	<u>35,432</u>
	Total employee benefit expenses	<u>\$ 398,850</u>	<u>\$ 372,839</u>
	Summarization by function		
	Operating Cost	\$ 249,949	\$ 241,462
	Operating expenses	<u>148,901</u>	<u>131,377</u>
		<u>\$ 398,850</u>	<u>\$ 372,839</u>

(VII) Remuneration to employees and directors

No less than 2% and no more than 2% of the net profit before tax before deduction of the remuneration to employees and directors for the current year should be distributed to employees and directors, respectively. As net loss before tax was generated in 2023, so no remuneration to employees and directors was estimated. The estimated amount of remuneration to employees and directors for 2024 was resolved by the Board of Directors on March 6, 2025 as follows:

		<u>2024</u>
	<u>Estimate on ratio</u>	
	Remuneration to employees (%)	2.00
	Remuneration to directors (%)	0.36
	<u>Amount</u>	
	Remuneration to employees	\$ 4,970
	Remuneration to directors	882

Should there be any change to the annual consolidated financial statements after the reporting date, the differences are accounted for as the changes of accounting estimates in the following year.

There was no difference between the amount of actual remuneration distributed to the employees and directors in 2022 and the amount recognized in the 2022 consolidated financial statements.

Please refer to the “Market Observation Post System” of the Taiwan Stock Exchange for information on the remuneration to the Company’s employees and directors resolved in the 2024 Board of Directors meetings.

(VIII) Net foreign exchange gains		
	<u>2024</u>	<u>2023</u>
Total foreign exchange gains	\$ 96,412	\$120,011
Total foreign exchange losses	( <u>77,987</u> )	( <u>119,114</u> )
Net profit	<u>\$ 18,425</u>	<u>\$ 897</u>

XX. Income tax

(I) Income tax recognized into the income

The income tax expenses (gains) are primarily composed of the following items:

	<u>2024</u>	<u>2023</u>
Current income tax		
Those generated in the current year	\$ 5,173	\$ -
Levied on undistributed earnings	-	2,832
Adjustment of previous year(s)	<u>756</u>	( <u>1,401</u> )
	<u>5,929</u>	<u>1,431</u>
Deferred income tax		
Those generated in the current year	21,456	( 53,166 )
Adjustment of previous year(s)	<u>124</u>	( <u>600</u> )
	<u>21,580</u>	( <u>53,766</u> )
Income tax expenses (gains) recognized into the income	<u>\$ 27,509</u>	( <u>\$ 52,335</u> )

The accounting income (loss) and income tax expenses (gains) are adjusted below:

	<u>2024</u>	<u>2023</u>
Net profit (loss) before tax	<u>\$ 252,907</u>	( <u>\$ 201,484</u> )
Income tax on net profit (loss) before tax at statutory tax rate	\$ 74,642	( \$ 50,180 )
Expenses and losses not exempted from tax	5,222	405
Levied on undistributed earnings	-	2,832
R&D reserve deduction	( 20,312 )	( 18,750 )
The income tax expenses of previous year(s) adjusted in the current year	880	( 2,001 )
Unrecognized changes in temporary difference	( <u>32,923</u> )	<u>15,359</u>
Income tax expenses (gains) recognized into the income	<u>\$ 27,509</u>	( <u>\$ 52,335</u> )

The subsidiary, Ningbo Qiyi, is entitled to the preferential tax rate applicable to high-tech enterprises, 15%, until 2026 and the income tax credit equivalent to specific multiples of the taxable income less R&D expenses, pursuant to the local tax laws.

(II)	Current income tax liabilities	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	Current income tax liabilities		
	Income tax payable	<u>\$ 8,338</u>	<u>\$ 4,297</u>

(III) Deferred income tax assets and liabilities  
Changes in deferred income tax assets and liabilities are as follows:

2024

	<u>Balance, beginning</u>	<u>Recognized into the income</u>	<u>Exchange difference</u>	<u>Balance, ending</u>
<u>Deferred income tax assets</u>				
Exchange differences on translation of foreign financial statements	\$ 49,775	\$ -	\$ -	\$ 49,775
Loss credit	118,954	( 18,646)	3,743	104,051
Others	<u>25,481</u>	<u>( 1,941)</u>	<u>423</u>	<u>23,963</u>
	<u>\$ 194,210</u>	<u>(\$ 20,587)</u>	<u>\$ 4,166</u>	<u>\$ 177,789</u>
<u>Deferred income tax liabilities</u>				
Property, plant and equipment	\$ 24,148	\$ 567	\$ 829	\$ 25,544
Undistributed earnings of subsidiaries	15,106	-	-	15,106
Others	<u>-</u>	<u>426</u>	<u>-</u>	<u>426</u>
	<u>\$ 39,254</u>	<u>\$ 993</u>	<u>\$ 829</u>	<u>\$ 41,076</u>

2023

	<u>Balance, beginning</u>	<u>Recognized into the income</u>	<u>Exchange difference</u>	<u>Balance, ending</u>
<u>Deferred income tax assets</u>				
Exchange differences on translation of foreign financial statements	\$ 49,775	\$ -	\$ -	\$ 49,775
Loss credit	83,479	38,114	( 2,639)	118,954
Others	<u>15,930</u>	<u>9,856</u>	<u>( 305)</u>	<u>25,481</u>
	<u>\$ 149,184</u>	<u>\$ 47,970</u>	<u>(\$ 2,944)</u>	<u>\$ 194,210</u>
<u>Deferred income tax liabilities</u>				
Property, plant and equipment	\$ 30,021	(\$ 5,182)	(\$ 691)	\$ 24,148
Undistributed earnings of subsidiaries	15,106	-	-	15,106
Others	<u>614</u>	<u>( 614)</u>	<u>-</u>	<u>-</u>
	<u>\$ 45,741</u>	<u>(\$ 5,796)</u>	<u>(\$ 691)</u>	<u>\$ 39,254</u>

- (IV) Aggregate of temporary difference related to investment and without recognizing deferred income tax liabilities

As of December 31, 2024 and 2023, the taxable temporary differences related to investment in subsidiaries and without recognizing deferred income tax liabilities amounted to NT\$1,277,177 thousand and NT\$1,029,091 thousand, respectively.

- (V) Unused loss credit

As of December 31, 2024, the information on loss credit is stated as follows:

<u>Balance to be deducted</u>	<u>Last year of credit</u>
\$ 149	2028
102,376	2029
20,508	2030
363,255	2032
<u>207,385</u>	2033
<u>\$ 693,673</u>	

- (VI) Authorization of income tax

The tax collection authorities have authorized the profit-seeking enterprise income tax returns of the Company until 2022; Ningbo Qixi has settled the corporate income tax until 2023.

XXI. Earnings (net loss) per share

The current net income (loss) and weighted average number of ordinary shares used to calculate the earnings (loss) per share are enumerated below:

Net income (loss)

	<u>2024</u>	<u>2023</u>
Net income (loss) attributable to owners of the Company	\$225,398	(\$149,149)
Effect of potentially dilutive ordinary shares		
Conversion of corporate bonds	( 31)	-
Net income (loss) used to calculate diluted earnings per share	<u>\$225,367</u>	<u>(\$149,149)</u>

Shares

	<u>2024</u>	<u>Unit: Thousand Shares</u> <u>2023</u>
The weighted average number of ordinary shares used to calculate the basic EPS	166,387	165,307
Effect of potentially dilutive ordinary shares		
Remuneration to employees	313	-
Conversion of corporate bonds	<u>8</u>	-
The weighted average number of ordinary shares used to calculate the diluted EPS	<u>166,708</u>	<u>165,307</u>

If the Company offers to settle the remuneration to employees in cash or shares, when calculating diluted earnings per share, the Company needs to assume that the entire amount of the remuneration to employees will be settled in shares, and the resulting potential shares shall be included in the weighted average number of ordinary shares used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares should be included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved by the Board of Directors in the next year.

The Company incurred a net loss in 2023 with no dilutive effect when calculating the diluted earnings (net loss) per share.

XXII. Share-based payment agreement

The Company has transferred the treasury stock totaling 1,350 thousand shares to the employees per the resolution rendered by the Board of Directors in September 2023.

The Company's treasury stock to employees is calculated using the Black-Scholes-Merton valuation model. The valuation assumptions are as follows:

Stock price on grant date	NT\$17.05
Exercise price	NT\$14.07
Projected volatility ratio (%)	14.68
Duration (years)	0.04
Projected dividend ratio (%)	-
Risk-free interest rate (%)	1.42
Fair value of stock options granted	NT\$2.99

The projected volatility ratio is subject to the average value of annualized standard deviation of Company's daily rate of return before the grant date.

The number of shares subscribed for by the employees based on said treasury shares was measured at fair value on the grant date in accordance with IFRS 2 "Share-based Payment." The employee stock option cost recognized by the Company in 2023 was NT\$4,036 thousand.

XXIII. Information about cash flow

(I) Non-cash transactions

The Company's and its subsidiaries' investing activities for non cash transactions in 2024 and 2023 are stated as follows:

	2024	2023
Investing activities that affect cash and non-cash items at the same time		
Increase in property, plant and equipment	\$ 107,451	\$ 125,773
Increase in prepayments for equipment	29,016	5,127
Decrease in payables for equipment and engineering (stated into other payables)	<u>1,157</u>	<u>7,926</u>
Cash paid for procurement of property, plant and equipment		
Cash	<u>\$ 137,624</u>	<u>\$ 138,826</u>

(II) **Changes in liabilities from financing activities**  
**2024**

	Short-term loans	Short-term notes and bills payable	Corporate bonds payable (including the current portion)	Long-term loans (Including the current portion)	Lease liabilities	Deposit received	Total
Balance on January 1, 2024	\$ 2,898,776	\$ 370,000	\$ 2,439	\$ 1,151,701	\$ 142	\$ 11,342	\$ 4,434,400
Net cash flow from financing activities	377,829	( 10,000)	( 2,400)	( 238,990)	( 113)	2,970	129,296
Non-cash changes							
Amortization of premium and issue cost	-	-	( 4)	1,154	-	-	1,150
Gains on redemption of corporate bonds	-	-	( 35)	-	-	-	( 35)
Exchange rate fluctuations	73,862	-	-	32,215	-	45	106,122
Balance on December 31, 2024	<u>\$ 3,350,467</u>	<u>\$ 360,000</u>	<u>\$ -</u>	<u>\$ 946,080</u>	<u>\$ 29</u>	<u>\$ 14,357</u>	<u>\$ 4,670,933</u>

**2023**

	Short-term loans	Short-term notes and bills payable	Corporate bonds payable (including the current portion)	Long-term loans (Including the current portion)	Lease liabilities	Deposit received	Total
Balance on January 1, 2023	\$ 2,393,344	\$ 280,000	\$ 310,962	\$ 1,053,162	\$ 254	\$ 13,256	\$ 4,050,978
Net cash flow from financing activities	558,019	90,000	( 300,584)	92,785	( 112)	( 1,879)	438,229
Non-cash changes							
Amortization of premium and issue cost	-	-	( 5,534)	1,145	-	-	( 4,389)
Gains on redemption of corporate bonds	-	-	( 2,405)	-	-	-	( 2,405)
Exchange rate fluctuations	( 52,587)	-	-	4,609	-	( 35)	( 48,013)
Balance on December 31, 2023	<u>\$ 2,898,776</u>	<u>\$ 370,000</u>	<u>\$ 2,439</u>	<u>\$ 1,151,701</u>	<u>\$ 142</u>	<u>\$ 11,342</u>	<u>\$ 4,434,400</u>

XXIV. **Capital risk management**

The Company and its subsidiaries conduct the capital management to ensure that the Group's entities may, insofar as they can continue operating, maximize the ROE by optimizing the balances of liabilities and equity. The overall strategies adopted by the Company and its subsidiaries remained unchanged in the most recent two years.

The capital structure of the Company and its subsidiaries consists of net debt (i.e., loans less cash and cash equivalents) and equity attributable to owners of the Company (i.e., capital stock, capital surplus, retained earnings and other equity).

Except Note 13, the Company and its subsidiaries are not required to comply with any other external capital requirements.

XXV. **Financial instruments**

(I) **Information about fair value**

Except the corporate bonds payable measured at amortized cost, the Company's and its subsidiaries' management consider that the carrying amounts of non-financial assets/liabilities at fair value through profit or loss approximate their fair value. The carrying amount of corporate bonds payable was NT\$2,439 thousand, and the fair value thereof NT\$2,363 thousand, on December 31, 2023.

(II)	Types of financial instruments	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Financial assets</u>		
	At fair value through other comprehensive income	\$ 11,605	\$ 27,219
	Measured at amortized cost (Note 1)	1,458,977	1,416,246
	<u>Financial liabilities</u>		
	Measured at amortized cost (Note 2)	4,936,483	4,696,467

Note 1: The balances include the financial assets measured at amortized cost, such as cash and cash equivalents, notes receivable, net accounts receivable, other receivables, other financial assets and refundable deposit (stated into other non-current assets).

Note 2: The balances include the financial liabilities measured at amortized cost, such as short-term loans, short-term notes and bills payable, notes payable, accounts payable, other payables, corporate bonds payable (including the current portion), long-term loans (including the current portion) and deposit received.

(III) Financial risk management objectives and policies

The major financial instruments of the Company and its subsidiaries include bank deposits, notes and accounts receivable, other financial assets, loans, short-term notes and bills payable, notes and accounts payable, other payables, corporate bonds payable and lease liabilities. The financial management departments of the Company and its subsidiaries analyze and manage financial risks related to the operation of the Company and its subsidiaries based on the risk level and span. Such risks include market risks (including foreign exchange rate risk and interest rate risk), credit risk and liquidity risk.

The financial management departments present the report to the Company's and its subsidiaries' management periodically.

1. Market risk

The Company's and its subsidiaries' business activities expose them primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(1) Foreign exchange rate risk

The Company and its subsidiaries engage in foreign currency-denominated sales and purchases, which expose the Company and its subsidiaries to the risk of foreign exchange rate fluctuation.

For the non-functional currency-denominated monetary assets and liabilities (including the non-functional currency-denominated monetary items already written off in the consolidated financial statements) of the Company and its subsidiaries rendering significant impacts on the balance sheet date, please refer to Note 29.

### Sensitivity analysis

The Company and its subsidiaries are primarily exposed to the fluctuation in the foreign exchange rate in USD.

The following table explains the Company's and its subsidiaries' sensitivity analysis in the case of the increase or decrease in NTD (the functional currency) against any critical foreign currency by 1%.

The sensitivity analysis includes outstanding foreign currency-denominated monetary items. A positive (negative) number indicated in the following table indicates an increase (decrease) in net profit (loss) before tax associated with the functional currency appreciation by 1% against the related currency, while it would be the same but negative (positive) number reflecting the effect on the net profit (loss) before tax associated with the functional currency depreciation by 1%.

	<u>2024</u>	<u>2023</u>
Profit or loss	<u>\$ 1,328</u>	<u>\$ 758</u>

#### (2) Interest rate risk

The carrying amounts of the Company's and its subsidiaries' financial assets and financial liabilities with exposure to interest rates on the balance sheet date are stated as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Fair value interest rate risk		
Financial assets	\$ 50,283	\$ 94,134
Financial liabilities	2,199,844	2,447,389
Cash flow interest rate risk		
Financial assets	217,338	242,469
Financial liabilities	2,457,788	1,977,648

For the assets and liabilities with floating interest rate, when the Company and its subsidiaries report the interest rates to the major management internally, the variable interest rates applied is the interest rate increase or decrease by 100 base points. If the interest rate increases for 100 base points (1%), while other variables are kept the same, the net profit before tax of the Company and its subsidiaries in 2024 and 2023 will decrease (increase) by NT\$22,000 thousand and NT\$17,000 thousand, respectively, primarily as a result of the bank loans and deposits with floating interest rate of the Company and its subsidiaries.

2. Credit risk

Credit risk refers to the risk that a trading counterpart will default on its contractual obligations and thereby result in the risk of financial loss to the Company and its subsidiaries. The credit risk of the Company and its subsidiaries primarily arises from cash and cash equivalents, notes receivable, accounts receivable, other receivables, other financial assets and refundable deposit (stated into other non-current assets). The maximum credit risk exposure is equivalent to the carrying amount of financial assets in the consolidated balance sheet.

Trading counterparties of the Company and its subsidiaries have adopted their own loan policies and procedures for management of accounts receivable, in order to ensure the collection and evaluation of accounts receivable. Meanwhile, the trading counterparties cover multiple customers and banks. Therefore, no significant concentrated credit exposure exists.

3. Liquidity risk

The Company and its subsidiaries manage and maintain the cash and facility positions sufficient to finance the Company's and its subsidiaries' operations and mitigate the effects of fluctuations in cash flows. The Company's and its subsidiaries' management also monitor the status of the facility granted by banks and ensures compliance with loan contracts. Therefore, there should be no liquidity risk generated from unfulfilled contract obligations due to failure to raise fund.

The Company and its subsidiaries may be asked to repay the financial liabilities included in the earliest time band in the following table immediately, regardless of the probability for the trading counterparties to choose exercise of their rights immediately. Notwithstanding, the analysis on the maturity dates for other non-derivative financial liabilities is prepared based on the agreed repayment dates.

The undiscounted interest for the cash flow of interest payable at floating interest rate serves as the basis for estimation of the future interest cash flow based on the interest rate on the balance sheet date.

	Repayment			
	on demand or less than 1 month	1–3 months	3 months – 1 year	– 1–5 years
<u>December 31, 2024</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 260,323	\$ 323	\$ 4,933	\$ 14,357
Lease liabilities	10	19	-	-
Floating interest rate instruments	3,994	338,551	1,373,349	796,937
Fixed interest rate instruments	<u>674,953</u>	<u>341,513</u>	<u>970,630</u>	<u>-</u>
	<u>\$ 939,280</u>	<u>\$ 680,406</u>	<u>\$ 2,348,912</u>	<u>\$ 811,294</u>
<u>December 31, 2023</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 254,855	\$ 1,355	\$ 5,999	\$ 11,342
Lease liabilities	10	19	115	-
Floating interest rate instruments	61,038	182,795	785,812	1,047,086
Fixed interest rate instruments	<u>675,658</u>	<u>485,146</u>	<u>1,191,932</u>	<u>-</u>
	<u>\$ 991,561</u>	<u>\$ 669,315</u>	<u>\$ 1,983,858</u>	<u>\$ 1,058,428</u>

The floating interest rate instruments of said non-derivative financial assets and liabilities could vary depending on the floating rate, and the interest rate estimated on the balance sheet date.

(V) Transfer of financial assets

The information about factoring of the Company's accounts receivable yet matured at the end of the year:

Trading counterparty	Current factoring amount (NT\$ Thousand)	Amount re-stated into other receivables (NT\$ Thousand)	Available advance amount (NT\$ Thousand)	Amount already advanced (NT\$ Thousand)	Annual interest on amount already advanced (%)
<u>December 31, 2024</u>					
CTBC Bank	USD 3,222	USD 2,048	USD 1,404	USD 1,174	5.15~5.42
E.SUN Bank	1,748	385	210	1,363	5.38~5.59
Taipei Fubon Bank	480	480	384	-	-
	<u>USD 5,450</u>	<u>USD 2,913</u>	<u>USD 1,998</u>	<u>USD 2,537</u>	
<u>December 31, 2023</u>					
CTBC Bank	USD 2,689	USD 1,421	USD 883	USD 1,268	6.21~6.60
E.SUN Bank	1,973	197	-	1,776	6.14~6.55
Taipei Fubon Bank	703	703	562	-	-
	<u>USD 5,365</u>	<u>USD 2,321</u>	<u>USD 1,445</u>	<u>USD 3,044</u>	

According to the factoring contracts, the loss derived from business dispute (e.g. sales return or allowances, etc.) should be borne by the Company, while the loss derived from credit risk should be borne by the bank. The Company has provided the promissory notes to secure the loss generated from the business dispute in the following amount:

	Unit: Any currency thousand	
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
USD	\$ 19,775	\$ 23,675

XVI. Transactions with related parties

The transactions, account balances, income and expenses between the Company and its subsidiaries have been eliminated on consolidation and, therefore, are not disclosed in the Note. The transactions between the Company and its subsidiaries and other related parties are stated as follows:

Endorsements/guarantees

As of December 31, 2024 and 2023, the Company's Chairman has provided endorsements/guarantees of the equivalent amount for the short-term loan, short-term notes and bills payable and long-term loans for the Company and its subsidiaries.

Salary and compensation to key management level

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 20,385	\$ 17,755
Share-based payment	-	673
	<u>\$ 20,385</u>	<u>\$ 18,428</u>

The salaries and remunerations to directors and the key management are determined subject to the personal performance and market trends.

XXVII. Assets pledged as collateral or for security

The Company and its subsidiaries have provided the following assets as collateral or security for the bank loans:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Property, plant and equipment	\$ 1,798,040	\$ 1,800,842
Accounts receivable	241,157	127,503
Other financial assets — current	122,147	108,793
Right-of-use assets	110,165	109,073
Investment property	45,380	45,380
	<u>\$ 2,316,889</u>	<u>\$ 2,191,591</u>

XXVIII. Major contingent liabilities and unrecognized contractual commitments

The Company and its subsidiaries have the following major commitments on the balance sheet date:

- (I) As of December 31, 2024 and 2023, the Company and its subsidiaries have issued the letters of credit, which remain unused, bearing the amounts, NT\$248,230 thousand and NT\$116,268 thousand, respectively.
- (II) The Company's and its subsidiaries' unrecognized contractual commitments are stated as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Purchase agreement	<u>\$544,363</u>	<u>\$153,074</u>
Purchase of property, plant and equipment	<u>\$142,595</u>	<u>\$ 41,336</u>

XXIX. Information about foreign-currency-denominated assets and liabilities that have significant influence

The following information is summarized according to the foreign currencies other than the functional currency of the Company and its subsidiaries. The foreign exchange rates disclosed are used to translate the foreign currency into the functional currency. Foreign-currency-denominated assets and liabilities that have significant influence:

	Foreign currency (NT\$ Thousand)	Foreign exchange rate	NT\$ Thousand
December 31, 2024			
Monetary financial assets			
USD	\$ 5,917	USD1=NTD32.78	\$ 193,974
USD	4,382	USD1=CNY7.3448	143,632
Monetary financial liabilities			
USD	3,047	USD1=NTD32.78	99,871
USD	11,305	USD1=CNY7.3448	370,581
December 31, 2023			
Monetary financial assets			
USD	6,175	USD1=NTD30.76	189,948
USD	13,574	USD1=CNY7.1286	417,528
Monetary financial liabilities			
USD	3,923	USD1=NTD30.76	120,683
USD	18,291	USD1=CNY7.1286	562,616

For the significant realized and unrealized gains (losses) on foreign exchange of the Company and its subsidiaries, please refer to the foreign currency exchange gains, net referred to in Note 19(8).

XXX. Disclosures in notes

- (I) Information on significant transactions
1. Fund loaned to others: Please refer to Schedule 1 hereto.
  2. Making of endorsements/guarantees for others: Please refer to Schedule 2 hereto.
  3. Marketable securities held at the end of year (exclusive of investment in subsidiaries, affiliated companies and joint ventures): None.
  4. Cumulative amount of the same marketable security purchased or sold reaching NT\$300 million or more than 20% of the paid-in capital: None.
  5. Acquisition amount of real estate reaching NT\$300 million or more than 20% of the paid-in capital: None.
  6. The amount of real estate disposed of exceeds NT\$300 million or 20% of paid-in capital: None.
  7. Purchase/sale amount of transactions with related parties reaching NT\$100 million or more than 20% of the paid-in capital: None.
  8. Accounts receivable-related party reaching NT\$100 million or more than 20% of the paid-in capital: Please refer to Schedule 3 hereto.
  9. Derivatives trading: Please refer to Note 19.
  10. Other information: Business relationship and amount of major transactions between parent company and subsidiaries and among subsidiaries: Please refer to Schedule 6 hereto.

- (II) Information on investees (if the issuer directly or indirectly exercises significant influence or control over, or has a joint venture interest in, an investee not in the territories of the mainland China): Please refer to Schedule 4 hereto.
- (III) Information on investment in the mainland China
1. Investees' name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, profit or loss for the period and recognized investment gain or loss, investment year end carrying amount, investment income and loss inward, and investment limits in the mainland China: Please refer to Schedule 5 hereto.
  2. Any of the following significant transactions with investees in the mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
    - (1) Purchase amount and percentage and the related payables ending balance and percentage: Please refer to Schedule 6 hereto.
    - (2) Sale amount and percentage and the related receivables ending balance and percentage: Please refer to Schedule 6 hereto.
    - (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 year and the purposes: Please refer to Schedule 2 hereto.
    - (5) The highest balance, the end of period balance, the interest rate range, and total current interest with respect to financing of funds: Please refer to Schedule 1 hereto.
    - (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the provision or acceptance of services: None.
- (IV) Information on major shareholders: The names, amounts, and proportions of shares of shareholders with a shareholding ratio of 5% or more: Please refer to Schedule 7 hereto.

**XXXI. Information by department**

The departments to be reported by the Company and its subsidiaries shall include the stainless steel processing business departments of the Company and Ningbo Qiyi. The stainless steel processing business department is primarily engaged in stainless steel shearing, splitting and cold rolling, surface treatment and trading, and import & export of stainless steel products. The Company and its subsidiaries also have set up the segment that does not meet the quantitative threshold, namely, the holding company.

The income generated by the Company's and its subsidiaries' operating department is primarily measured based on the net operating profit (loss) by department, and serve as the basis for performance evaluation. Meanwhile, the accounting policy adopted by the operating department is not significantly different from the summary of significant accounting policies referred to in Note 4.

(I) Information about operating department:

	Yuen Chang (the Company)	Ningbo Qiyi	Others	Adjustment and write-off	Total
<u>2024</u>					
Revenue from external customers	\$ 7,828,441	\$ 2,886,406	\$ -	\$ -	\$ 10,714,847
Inter-departmental revenue	<u>51,909</u>	<u>-</u>	<u>-</u>	<u>(51,909)</u>	<u>-</u>
Department revenue	<u>\$ 7,880,350</u>	<u>\$ 2,886,406</u>	<u>\$ -</u>	<u>(\$ 51,909)</u>	<u>\$ 10,714,847</u>
Department net operating profit (loss)	\$ 105,762	\$ 265,610	(\$ 384)	\$ -	\$ 370,988
Financial costs	<u>(54,402)</u>	<u>(115,798)</u>	<u>(278)</u>	<u>-</u>	<u>(170,478)</u>
Subtotal	<u>\$ 51,360</u>	<u>\$ 149,812</u>	<u>(\$ 662)</u>	<u>\$ -</u>	<u>200,510</u>
Interest revenue					\$ 5,155
Other revenue					25,682
Other gains and losses					<u>21,560</u>
Department net profit before tax					252,907
Income tax expense					<u>27,509</u>
Consolidated net income					<u>\$ 225,398</u>
<u>December 31, 2024</u>					
Department assets	<u>\$ 3,996,588</u>	<u>\$ 5,168,215</u>	<u>\$ 378,590</u>	<u>(\$ 371,719)</u>	<u>\$ 9,171,674</u>
Department liabilities	<u>\$ 2,671,781</u>	<u>\$ 2,501,216</u>	<u>\$ 366,829</u>	<u>(\$ 371,719)</u>	<u>\$ 5,168,107</u>
<u>2023</u>					
Revenue from external customers	\$ 8,855,209	\$ 2,982,643	\$ -	\$ -	\$ 11,837,852
Inter-departmental revenue	<u>44,310</u>	<u>880</u>	<u>-</u>	<u>(45,190)</u>	<u>-</u>
Department revenue	<u>\$ 8,899,519</u>	<u>\$ 2,983,523</u>	<u>\$ -</u>	<u>(\$ 45,190)</u>	<u>\$ 11,837,852</u>
Department net operating profit (loss)	(\$ 71,798)	\$ 18,358	(\$ 425)	\$ -	(\$ 53,865)
Financial costs	<u>(45,117)</u>	<u>(141,220)</u>	<u>(269)</u>	<u>-</u>	<u>(186,606)</u>
Subtotal	<u>(\$ 116,915)</u>	<u>(\$ 122,862)</u>	<u>(\$ 694)</u>	<u>\$ -</u>	<u>(240,471)</u>
Interest revenue					10,730
Other revenue					25,193
Other gains and losses					<u>3,064</u>
Department net loss before tax					(201,484)
Income tax gains					<u>(52,335)</u>
Consolidated net loss					<u>(\$ 149,149)</u>
<u>December 31, 2023</u>					
Department assets	<u>\$ 3,300,925</u>	<u>\$ 5,380,404</u>	<u>\$ 563,763</u>	<u>(\$ 565,849)</u>	<u>\$ 8,679,243</u>
Department liabilities	<u>\$ 1,953,708</u>	<u>\$ 2,960,367</u>	<u>\$ 553,126</u>	<u>(\$ 565,849)</u>	<u>\$ 4,901,352</u>

(II) Information by product type:

	<u>2024</u>	<u>2023</u>
Stainless steel shearing and processing	<u>\$ 10,714,847</u>	<u>\$ 11,837,852</u>

(III) Information by territory

The information about the Company's and its subsidiaries' revenue from external customers and non-current assets is stated by the territory where the customers and assets are situated:

	<u>2024</u>	<u>2023</u>
<u>Revenue from external customers</u>		
Asia (Note)	\$ 3,956,010	\$ 4,404,610
Americas	3,425,599	3,595,451
Taiwan	2,529,432	3,152,899
Others	<u>803,806</u>	<u>684,892</u>
	<u>\$ 10,714,847</u>	<u>\$ 11,837,852</u>

Note: Excluding revenue from Taiwan.

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Non-current assets</u>		
China	\$3,295,400	\$3,296,911
Taiwan	<u>1,176,984</u>	<u>1,173,899</u>
	<u>\$4,472,384</u>	<u>\$4,470,810</u>

Non-current assets exclude financial instruments and deferred income tax assets.

(IV) Information about major customers

In 2024 and 2023, the revenue from any single customer didn't exceed 10% of the Company's and its subsidiaries' total operating revenue.

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Fund loaned to others  
January 1 to December 31, 2024

Schedule 1

Unit: NT\$ Thousand

No.	Loaner	Debtor	Accounting title	Related Party or not	Maximum balance for the current period	Balance, ending	Drawdown, ending	Interest rate range (%)	Nature of loan	Business transaction amount	Reasons for short-term financing	Allowance for bad debt	Collateral		Limit of lending to an individual debtor (Note 1)	Limit of total lending (Note 2)	Remark
													Title	Value			
0	The Company	Ningbo Qiyi Precision Metals Co., Ltd.	Other receivables	Yes	\$ 300,000	\$ -	\$ -	-	Short-term financing	\$ -	Business turnover	\$ -	-	\$ -	\$ 1,601,427	\$ 1,601,427	
1	Surewin Global Limited (HK)	Ningbo Qiyi Precision Metals Co., Ltd.	Other receivables	Yes	983,400	983,400	367,136	5.83~6.75	Short-term financing	-	Business turnover	-	-	-	5,350,532	5,350,532	Note 3

Note 1: Limit of lending by the Company to any individual debtor shall be no more than 40% of the Company's net worth. Limit of lending to a foreign company in which the Company holds 100% of the voting shares, directly or indirectly, shall be no more than 200% of the company's net worth.

Note 2: The limit of total lending by the Company to others shall be no more than 40% of the Company's net worth. The limit of total lending by Surewin Global Limited (HK) to others shall be no more than 200% of its new worth.

Note 3: Already written off when preparing the consolidated financial statements.

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Making of endorsements/guarantees for others  
January 1 to December 31, 2024

Schedule 2

Unit: NT\$ Thousand

No.	Endorser/guarantor	Endorsed/guaranteed party		Limits on endorsements/guarantees for a single enterprise (Note 1)	Current maximum endorsement/guarantee balance	Endorsement/guarantee balance - ending	Balance of drawdown, ending	Endorsement/guarantee amount secured with property as collateral	Ratio of the cumulative endorsement/guarantee amount to the net worth in the most recent financial statements (%)	Maximum endorsements/guarantees (Note 2)	Endorsement/guarantee made by the parent company for its subsidiaries	Endorsements/guarantees made by the subsidiaries for the parent company	Endorsement/guarantee made for the operations in Mainland China
		Company name	Affiliation										
1	The Company	Ningbo Qiyi Precision Metals Co., Ltd.	Subsidiary in which the Company indirectly holds 100% of the voting shares	\$ 8,007,134	\$ 3,778,766	\$ 2,726,986	\$ 1,492,874	\$ -	68	\$ 8,007,134	Yes	No	Yes
2	The Company	Surewin Global Limited (HK)	Subsidiary in which the Company indirectly holds 100% of the voting shares	8,007,134	819,500	819,500	367,136	-	20	8,007,134	Yes	No	No

Note 1: The maximum amount of the endorsement/guarantee to a single subsidiary wholly owned by the Company shall not exceed 200% of the Company's net worth.

Note 2: The total amount of the endorsement/guarantee for others shall not exceed 200% of the Company's net worth.

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Statement of Significant Accounts Receivable - Related Party  
December 31, 2024

Schedule 3

Unit: NT\$ Thousand

Stated company of account receivable	Trading counterparty	Affiliation	Balance of receivables – related party (Note)	Turnover rate	Overdue receivables - related party		Subsequent recovered amount of receivables - related party	Provision of loss allowance
					Amount	Treatment		
Surewin Global Limited (HK)	Ningbo Qiyi Precision Metals Co., Ltd.	Subsidiaries	\$367,136	-	\$ -	-	\$ -	\$ -

Note: Primarily the financing receivable; please refer to Schedule 1 for details, and already written off when preparing the consolidated financial statements.

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Information related to the investees, such as names and locations, etc.  
January 1 to December 31, 2024

Schedule 4

Unit: NT\$ Thousand  
(Unless otherwise noted)

Investor's name	Investee's name	Location	Main business lines	Original investment amount		Holding at end of year			Investee's current income	Investment income recognized in the current year	Remark
				End of the current year	End of last year	Shares	Percentage (%)	Carrying amount			
The Company	QIYI PRECISION METALS CO., LTD	British Cayman Islands	Engaged in professional investment activities	\$ 1,140,000	\$ 1,140,000	480,000,000	100	\$ 2,678,760	\$ 164,615	\$ 164,615	Subsidiaries (Note)
QIYI PRECISION METALS CO., LTD	Surewin Global Limited (HK)	Hong Kong	Engaged in professional investment activities	US\$32,000 thousand	US\$32,000 thousand	32,000,000	100	2,675,266	164,532	164,532	Subsidiaries (Note)

Note: Already written off when preparing the consolidated financial statements.

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
Information on investment in the mainland China  
January 1 to December 31, 2024

Schedule 5

Unit: NT\$ Thousand  
(Unless otherwise noted)

Mainland China Investee's name	Main business lines	Paid-in capital	Investment method	Accumulated outward remittance for investment from Taiwan at the beginning of the year	Investment remittance or regain in the current year		Accumulated outward remittance for investment from Taiwan at the end of the year	Investee's current income	Ownership of direct or indirect investment (%)	Investment income recognized in the current year	Carrying amount of the investment at the end of the year	Accumulated repatriation of investment income until the end of the year	Remark
					Outward	Inward							
Ningbo Qiyi Precision Metals Co., Ltd.	Stainless steel shearing, splitting and cold rolling, processing and trading, and import & export of stainless steel products.	RMB\$500,297 thousand	Note 1	\$ 1,140,000	\$ -	\$ -	\$ 1,140,000	\$ 163,975	100	\$ 163,975	\$ 2,666,999	\$ -	

Investor's name	Accumulated outward remittance for investment in Mainland China until the end of the period	Investment amounts authorized by Investment Commission, MOEA (Note 3)	Limit of investment amount by the Company in the mainland China (Note 2)
Yuen Chang Stainless Steel Co., Ltd.	\$ 1,140,000 (US\$37,619 thousand)	\$ 2,309,450 (US\$77,619 thousand)	\$ 2,402,140

Note 1: To invest in the mainland China companies through remittance from a company existing in a third area.

Note 2: Limit of investment amount by Yuen Chang Stainless Steel Co., Ltd. in the mainland China is calculated as follows:  $\$4,003,567 \times 60\% = \$2,402,140$ .

Note 3: Including the recapitalization of earnings of Ningbo Qiyi Precision Metals Co., Ltd., US\$40,000 thousand.

Yuen Chang Stainless Steel Co., Ltd. and its subsidiaries  
 Business relationship and amount of major transactions between parent company and subsidiaries and among subsidiaries  
 January 1 to December 31, 2024

Schedule 6

Unit: NT\$ Thousand

No.	Name of trader	Trading counterparty	Affiliation to trader	Transaction (Note)			Percentage in total consolidated operating revenue or total assets (%)
				Title	Amount (Note)	Trading conditions	
0	The Company	Ningbo Qiyi Precision Metals Co., Ltd.	Parent Company to subsidiaries	Operating Revenue	\$ 51,909	Same as the general customers	-
				Accounts payable	4,583		-
1	Surewin Global Limited (HK)	Ningbo Qiyi Precision Metals Co., Ltd.	Subsidiaries to subsidiaries	Other receivables	367,136		4

Note: Already written off when preparing the consolidated financial statements.

Yuen Chang Stainless Steel Co., Ltd.  
Information on major shareholders  
December 31, 2024

Schedule 7

Name of major shareholder	Shares	
	Quantity of Shares Held	Shareholding Percentage (%)
Yuji Investment Co., Ltd.	37,731,750	22.67

Note 1: The information on major shareholders referred to herein is based on the information about the shareholders holding more than 5% of the ordinary shares (including treasury stock) of the Company for which the Company has already completed the non-tangible registration and delivery, as calculated by TDCC on the last business day at the end of the current quarter. The capital stock recorded in the Company's consolidated financial statements might be different, or vary, from the number of shares for which the non-tangible registration/delivery has been completed, depending on the preparation basis.

Note 2: If the shareholder puts the shares held by it under trust, said information shall be disclosed by the individual client of the trust account opened by the trustee. According to the Securities and Exchange Act, shareholders with more than 10% ownership interest are subject to insider equity reporting. Insider equity includes shares held in own name and any shares placed under a trust that the insider has control over. Please access the Market Observation Post System for reports on insider equity.