

**Key Ware Electronics Co., Ltd.
and Subsidiaries**

**Consolidated Financial Statements
and Independent Auditors' Report
For 2024 and 2023**

Address: No. 32, Xingbang Rd., Taoyuan Dist., Taoyuan City

Tel:(03)366-0667

§TABLE OF CONTENTS§

ITEM	PAGE	NUMBER OF NOTES TO FINANCIAL STATEMENTS
I. Cover Page	1	-
II. Table of Contents	2	-
III. Declaration of Consolidated Financial Statements of Affiliates	3	-
IV. Independent Auditors' Report	4 – 7	-
V. Consolidated Balance Sheets	8	-
VI. Consolidated Statements of Comprehensive Income	9 – 10	-
VII. Consolidated Statements of Changes in Equity	11	-
VIII. Consolidated Statements of Cash Flows	12 – 14	-
IX. Notes to Consolidated Financial Statements		
(I) Company History	15	I
(II) Date and Procedure of Financial Statement Approval	15	II
(III) Application of New and Amended Standards and Interpretations	15 – 17	III
(IV) Summary of Significant Accounting Policies	17 – 31	IV
(V) Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions	31	V
(VI) Details of Significant Accounts	32 – 59	VI – XXV
(VII) Related Party Transactions	68 – 70	XXVIII
(VIII) Pledged Assets	68	XXIX
(IX) Other Matters	-	-
(X) Others	59 – 68, 70 – 71	XXVI - XXVII, XXX
(XI) Supplementary Disclosures		
1. Information on Significant Transactions	71 – 72	XXXI
2. Information on Invested Companies	71 – 72	XXXI
3. Information on Investments in Mainland China	71 – 72	XXXI
4. Information on Major Shareholders	71 – 72	XXXI
(XII) Segment Information	72 – 74	XXXII

Declaration of Consolidated Financial Statements of Affiliates

For the year 2024 (from January 1 to December 31), the companies that should be included in the preparation of the consolidated financial statements of affiliated enterprises in accordance with the “Regulations Governing the Preparation of Consolidated Business Reports, Consolidated Financial Statements, and Affiliation Reports of Affiliated Enterprises” are the same as those that should be included in the preparation of the parent-subsidary consolidated financial statements in accordance with IFRS 10. Furthermore, the relevant information required to be disclosed in the consolidated financial statements of affiliated enterprises has already been disclosed in the aforementioned parent-subsidary consolidated financial statements. Therefore, separate consolidated financial statements of affiliated enterprises are not prepared.

Sincerely,

Name of Company: Key Ware Electronics Co., Ltd.

Chairman: Chow, Pong-Chi

March 26, 2025

Independent Auditors' Report

To the Board of Directors of Key Ware Electronics Co., Ltd.:

Audit Opinion

The consolidated balance sheets of Key Ware Electronics Co., Ltd. and its subsidiaries (hereinafter referred to as the “Key Ware Group”) as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, as well as the notes to the consolidated financial statements (including a summary of significant accounting policies), have been audited by us.

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

Basis for Audit Opinion

We conducted our audit in accordance with the Rules 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 our report. The personnel of our firm who are subject to independence requirements have complied with the Code of Professional Ethics for Certified Public Accountants and have remained independent of the Key Ware Group, and have fulfilled other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Key Ware Group’s consolidated financial statements for the year 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters relating to the consolidated financial statements of the Key Ware Group

for the year 2024 are described as follows:

The Authenticity of Processing Income

The primary source of operating revenue for the Key Ware Group includes processing income from its drilling subcontracting division. In 2024, the Group's processing income increased significantly compared to the previous year. We believe there may be pressure on management to achieve projected business targets, and therefore, we have identified the authenticity of the aforementioned processing income as a key audit matter for 2024. For the revenue recognition accounting policy, please refer to Note 4 of the consolidated financial statements.

The auditor has performed the following key audit procedures regarding the recognition of processing income:

1. Understand and test the design and operating effectiveness of internal controls related to the recognition of processing income.
2. Obtain detailed information on processing income, review relevant transaction supporting documents and payment collection status, and verify whether the service recipient and payment recipient are consistent.

Other Matters

Key Ware Electronics Co., Ltd. has prepared its Parent Company Only Financial Statements for the years 2024 and 2023, which have been audited by us, and we have issued an unqualified audit opinion. These reports are available for reference.

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

The responsibility of management is to prepare the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed and issued by the Financial Supervisory Commission, ensuring that the consolidated financial statements are presented fairly. Management is also responsible for maintaining the necessary internal controls related to the preparation of the consolidated financial statements to ensure that they are free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, management's responsibility also includes assessing the Key Ware Group's ability to continue as a going concern, disclosing relevant matters, and adopting the going concern accounting basis, unless management intends to liquidate the Key Ware Group or cease operations, or has no other viable alternatives to liquidation or cessation.

The governance unit of the Key Ware Group (including the audit committee) is responsible for overseeing the financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated The purpose of our audit of the consolidated financial statements is 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 audit report. Reasonable assurance is a high level

of assurance, but an audit conducted in accordance with auditing standards cannot guarantee that all material misstatements will be detected. Misstatements may arise from fraud or error. A misstatement is considered material if it could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

In conducting the audit in accordance with auditing standards, we exercised professional judgment and professional skepticism. We also performed the following procedures:

1. Identify and assess the risks of material misstatement in the consolidated financial statements due to fraud or error; design and perform appropriate responses to the assessed risks; and obtain sufficient and appropriate audit evidence to form the basis for the audit opinion. Since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or circumvention of internal controls, the risk of material misstatement due to fraud is higher than that due to error.
2. Obtain the necessary understanding of internal controls relevant to the audit to design appropriate audit procedures under the circumstances, with the aim not to express an opinion on the effectiveness of the Key Ware Group's internal controls.
3. Evaluate the appropriateness of the accounting policies adopted by management, as well as the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the audit evidence obtained, conclude on the appropriateness of management's use of the going concern accounting basis and whether there are events or conditions that may give rise to significant doubts about the Key Ware Group's ability to continue as a going concern. If we conclude that such events or conditions exist, we are required to draw attention to the relevant disclosures in the consolidated financial statements or, if those disclosures are inadequate, to modify our audit opinion. Our conclusion is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Key Ware Group to cease to be a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including the related notes), and whether the consolidated financial statements appropriately reflect the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the components within the group to form an opinion on the consolidated financial statements. We are responsible for the guidance, supervision, and execution of the group audit and for forming the group audit opinion.

We communicated with the governance unit regarding matters including the planned audit scope and timing, as well as significant audit findings (including significant internal control deficiencies identified during the audit process).

We also provided the governance unit with a declaration that the personnel subject to independence requirements of our firm have adhered to the independence provisions of the professional ethics code for auditors, and communicated to the governance unit any relationships and other matters that could be perceived to affect the auditor's independence (including relevant safeguards).

Based on the matters communicated with the governance unit, we determined the key audit matters for the audit of the Key Ware Group’s consolidated financial statements for the year 2024. These matters are outlined in our audit report, unless the law prohibits the public disclosure of certain matters, or in extremely rare circumstances, we decide not to communicate specific matters in the audit report because the expected negative impact of such communication would outweigh the public interest served by it.

Deloitte & Touche
CPA, Li, Kuan-Hao

CPA, Lin, Wang-Sheng

Financial Supervisory Commission Approval
Document No.:
FSC Approval Document No. 1100372936

Financial Supervisory Commission Approval
Document No.:
FSC Approval Document No. 1060023872

March 26, 2025

Notices to Readers

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

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

Key Ware Electronics Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
As of December 31, 2024 and 2023

Unit: NT\$ thousand

Code	Assets	December 31, 2024		December 31, 2023	
		Amount	%	Amount	%
Current Assets					
1100	Cash and cash equivalents (Notes IV and VI)	\$ 227,514	6	\$ 137,913	4
1110	Financial assets at fair value through profit or loss - current (Notes IV and VII)	119,843	3	110,266	3
1120	Financial assets at fair value through other comprehensive income - current (Notes IV, VIII and XXIX)	256,449	7	282,220	8
1150	Notes receivable (Notes IV and IX)	48,820	1	61,616	2
1170	Accounts receivable (Notes IV and IX)	547,572	15	496,455	14
1180	Accounts receivable - related parties (Notes IV and XXVIII)	71	-	72	-
1200	Other receivables (Notes IV, IX, XIV)	142,689	4	188,387	5
130X	Inventories (Notes IV and X)	509,237	14	435,316	12
1421	Prepayments for goods	16,885	-	13,731	-
1460	Non-current assets held for sale (Notes IV and XI)	-	-	49,227	1
1470	Other current assets	83,544	2	56,537	1
11XX	Total current assets	1,952,624	52	1,831,740	50
Non-current assets					
1517	Financial assets at fair value through other comprehensive income – non-current (Notes IV and VIII)	36,501	1	40,409	1
1550	Investments accounted for using the equity method (Notes IV and XIII)	-	-	13,138	1
1600	Property, plant, and equipment (Notes IV, XIV and XXIX)	1,427,381	38	1,326,642	36
1755	Right-of-use assets (Notes IV, XV and XXVIII)	78,143	2	81,176	2
1805	Goodwill	7,527	-	7,155	-
1821	Other intangible assets (Notes XVI)	14,849	-	18,211	1
1840	Deferred tax assets (Notes IV and XXIII)	78,447	2	82,093	2
1920	Deposits received	4,665	-	3,355	-
1915	Prepayment - non-current (Note XIV)	23,124	1	10,679	-
1930	Other receivables - non-current (Note IX and XIV)	135,620	4	242,746	7
1990	Other non-current assets	3,380	-	3,740	-
15XX	Total non-current assets	1,809,637	48	1,829,344	50
1XXX	Total assets	\$ 3,762,261	100	\$ 3,661,084	100
Liabilities and Equity					
Current Liabilities					
2100	Short-term loans (Note XVII and XXIX)	\$ 762,569	20	\$ 552,950	15
2110	Accounts payable - short-term notes (Note XVII)	-	-	24,979	1
2150	Notes payable and accounts payable	120,145	3	116,242	3
2180	Accounts payable - related parties (Note XXVIII)	29,997	1	22,721	1
2219	Other payables (Note XIX)	66,099	2	103,598	3
2220	Other payables - related parties (Note XXVIII)	79	-	165	-
2230	Current income tax liabilities (Note IV)	61,024	2	68,421	2
2280	Lease liabilities - current (Notes IV, XV, and XXVIII)	20,961	1	18,292	-
2190	Current portion of corporate bonds payable (Notes IV and XXVIII)	-	-	56,759	2
2320	Current portion of long-term borrowings (Notes XVII and XXIX)	16,676	-	16,274	-
2399	Other current liabilities	7,368	-	7,795	-
21XX	Total current liabilities	1,084,918	29	988,196	27
Non-current liabilities					
2540	Long-term loans (Notes XVII and XXIX)	462,121	12	463,787	13
2570	Deferred income tax liabilities (Notes IV and XXIII)	90,157	2	121,656	3
2580	Lease liabilities - non-current (Notes IV, XV, and XXVIII)	22,939	1	30,061	1
2670	Other non-current liabilities (Notes IV and XX)	4,660	-	17,853	-
25XX	Total non-current liabilities	579,877	15	633,357	17
2XXX	Total liabilities	1,664,795	44	1,621,553	44
Equity attributable to owners of the parent					
3100	Share capital	1,924,485	51	1,923,135	53
3200	Capital surplus	80,695	2	80,479	2
3300	Retained earnings	197,763	5	185,255	5
3400	Other equity	(124,456)	(3)	(166,966)	(5)
31XX	Total equity attributable to owners of the Company	2,078,487	55	2,021,903	55
36XX	Non-controlling Interests	18,979	1	17,628	1
3XXX	Total equity	2,097,466	56	2,039,531	56
Total liabilities and equity		\$ 3,762,261	100	\$ 3,661,084	100

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman:
Chow, Pong-Chi

President:
Chu, Tsung-Wei

Accounting Manager:
Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2024 and 2023

Unit: NT\$ Thousands, except for
Earnings per share (in Dollars)

Code		2024		2023	
		Amount	%	Amount	%
4000	Operating Revenue (Notes IV and XXVIII)	\$ 1,163,052	100	\$ 1,068,270	100
5000	Operating Costs (Notes IV, X, XX, XXII, and XXVIII)	<u>1,055,957</u>	<u>91</u>	<u>1,108,390</u>	<u>104</u>
5900	Gross Profit (Loss) from Operations	<u>107,095</u>	<u>9</u>	(<u>40,120</u>)	(<u>4</u>)
	Operating Expenses (Notes IV, IX, XX, and XXII)				
6100	Selling Expenses	55,218	5	67,219	6
6200	Administrative Expenses	62,601	5	67,270	6
6300	Research Expenses	3,972	-	3,456	-
6450	Expected credit impairment loss (reversal gain)	(<u>5,260</u>)	<u>-</u>	<u>5,978</u>	<u>1</u>
6000	Total Operating Expenses	<u>116,531</u>	<u>10</u>	<u>143,923</u>	<u>13</u>
6900	Operating Loss	(<u>9,436</u>)	(<u>1</u>)	(<u>184,043</u>)	(<u>17</u>)
	Non-operating Income and Expenses (Notes IV, XIII, XIV, XXII, and XXVIII)				
7100	Interest Income	32,625	3	21,535	2
7010	Other Income	2,310	-	1,766	-
7020	Other Gains and Losses	(42,094)	(3)	383,385	36
7050	Financial Costs	(30,810)	(3)	(31,296)	(3)
7040	Reversal gain (impairment loss) on expected credit losses	48,066	4	(65,879)	(6)
7060	Share of Profit or Loss of Associates Accounted for Using Equity Method	(<u>7</u>)	<u>-</u>	<u>23,153</u>	<u>2</u>
7000	Total Non-operating Income and Expenses	<u>10,090</u>	<u>1</u>	<u>332,664</u>	<u>31</u>
7900	Profit Before Tax	654	-	148,621	14
7950	Income Tax (benefit) Expenses (Notes IV and XXIII)	(<u>397</u>)	<u>-</u>	<u>143,682</u>	<u>14</u>
8200	Net Profit for the Year	<u>1,051</u>	<u>-</u>	<u>4,939</u>	<u>-</u>

Code		2024		2023	
		Amount	%	Amount	%
8310	Other Comprehensive Income Items not to Be Reclassified to Profit or Loss				
8311	Remeasurement of Defined Benefit Plans (Notes IV and XX)	\$ 17,482	2	(\$ 3,160)	-
8316	Unrealized Gains and Losses on Equity Instruments Measured at Fair Value through Other Comprehensive Income (Notes IV and XXI)	(29,679)	(3)	(42,889)	(4)
8349	Income Tax Related to Items Not to Be Reclassified (Notes IV and XXIII)	(3,497)	-	632	-
8360	Items that May Be Subsequently Reclassified to Profit or Loss				
8361	Exchange Differences on Translation of Financial Statements of Foreign Operations (Notes IV and XXI)	90,236	8	(30,395)	(3)
8399	Income Tax Related to Items That May Be Subsequently Reclassified (Notes IV, XXI, and XXIII)	(18,047)	(2)	6,079	1
8300	Other Comprehensive Income for the Year	<u>56,495</u>	<u>5</u>	(<u>69,733</u>)	(<u>6</u>)
8500	Total Comprehensive Income for the Year	<u>\$ 57,546</u>	<u>5</u>	(<u>\$ 64,794</u>)	(<u>6</u>)
	Net Profit Attributable to:				
8610	Equity Owners of the Company	(\$ 1,477)	-	\$ 11,852	1
8620	Non-controlling Interests	<u>2,528</u>	<u>-</u>	(<u>6,913</u>)	(<u>1</u>)
8600		<u>\$ 1,051</u>	<u>-</u>	<u>\$ 4,939</u>	<u>-</u>
	Total Comprehensive Income Attributable to:				
8710	Equity Owners of the Company	\$ 55,018	5	(\$ 57,881)	(5)
8720	Non-controlling Interests	<u>2,528</u>	<u>-</u>	(<u>6,913</u>)	(<u>1</u>)
8700		<u>\$ 57,546</u>	<u>5</u>	(<u>\$ 64,794</u>)	(<u>6</u>)
	Earnings Per Share (Note XXIV)				
9750	Basic	(\$ <u>0.01</u>)		<u>\$ 0.06</u>	
9850	Diluted	(\$ <u>0.01</u>)		<u>\$ 0.06</u>	

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Chow, Pong-Chi President: Chu, Tsung-Wei Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

Code		Equity attributable to owners of the parent (Note IV, VIII and XIX)									
		Capital stock		Retained earnings			Other equity		Total	Non-controlling Interests	Total Equity
		Common shares	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income			
A1	Balance as of January 1, 2023	\$1,899,283	\$ 80,139	\$ 24,373	\$ 192,785	\$ 7,449	(\$ 90,493)	(\$ 17,099)	\$2,096,437	\$ 28,541	\$2,124,978
D1	Net Income in 2023	-	-	-	-	11,852	-	-	11,852	(6,913)	4,939
D3	Other Comprehensive Income After Tax in 2023	-	-	-	-	(2,528)	(24,316)	(42,889)	(69,733)	-	(69,733)
D5	Total Comprehensive Income in 2023	-	-	-	-	9,324	(24,316)	(42,889)	(57,881)	(6,913)	(64,794)
	Appropriation and Distribution of Profits for the Year 2022										
B1	Appropriation to Legal Reserve	-	-	745	-	(745)	-	-	-	-	-
B3	Reversal of Special Reserve	-	-	-	(34,141)	34,141	-	-	-	-	-
B5	Cash Dividends on Common Shares	-	-	-	-	(18,993)	-	-	(18,993)	-	(18,993)
B9	Stock Dividends on Common Shares	21,852	-	-	-	(21,852)	-	-	-	-	-
N1	Share-based Payments (Note XXV)	2,000	340	-	-	-	-	-	2,340	-	2,340
O1	Disposal of Equity Instruments Measured at Fair Value through Other Comprehensive Income	-	-	-	-	(7,831)	-	7,831	-	-	-
O1	Cash Dividends to Shareholders of Subsidiaries	-	-	-	-	-	-	-	-	(4,000)	(4,000)
Z1	Balance as of December 31, 2023	1,923,135	80,479	25,118	158,644	1,493	(114,809)	(52,157)	2,021,903	17,628	2,039,531
D1	Net Profit (Loss) for the Year 2024	-	-	-	-	(1,477)	-	-	(1,477)	2,528	1,051
D3	Other Comprehensive Income After Tax for the Year 2024	-	-	-	-	13,985	72,189	(29,679)	56,495	-	56,495
D5	Total Comprehensive Income for the Year 2024	-	-	-	-	12,508	72,189	(29,679)	55,018	2,528	57,546
	Appropriation and Distribution of Profits for the Year 2023										
B1	Transfer to Legal Reserve	-	-	149	-	(149)	-	-	-	-	-
B3	Reverse of Special Reserve	-	-	-	1,344	(1,344)	-	-	-	-	-
N1	Share-based Payments (Note XXV)	1,350	216	-	-	-	-	-	1,566	-	1,566
O1	Cash Dividends to Shareholders of Subsidiaries	-	-	-	-	-	-	-	-	(1,177)	(1,177)
Z1	Balance as of December 31, 2024	<u>\$1,924,485</u>	<u>\$ 80,695</u>	<u>\$ 25,267</u>	<u>\$ 159,988</u>	<u>\$ 12,508</u>	<u>(\$ 42,620)</u>	<u>(\$ 81,836)</u>	<u>\$2,078,487</u>	<u>\$ 18,979</u>	<u>\$2,097,466</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman: Chow, Pong-Chi

President: Chu, Tsung-Wei

Accounting Manager: Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

Code		2024	2023
	Cash flows from operating activities		
A10000	Net income before tax	\$ 654	\$ 148,621
A20010	Income and expense items:		
A20100	Depreciation expenses	124,064	147,643
A20200	Amortization expenses	8,109	6,858
A20300	Expected credit losses (reversal gain)	(53,326)	71,857
A20400	Valuation loss (gain) on financial assets and liabilities measured at fair value through profit or loss	55,654	(5,904)
A20900	Finance costs	30,810	31,296
A21200	Interest income	(32,625)	(21,535)
A21300	Dividend income	(1,869)	(1,342)
A22500	Losses on property, plant, and equipment	2,287	12,960
A22600	Property, plant and equipment impairment loss (reversal gain)	(25,009)	86,423
A22800	Impairment loss on non-current assets held for sale	-	44,333
A22900	Benefits from land use rights acquisition	-	(514,185)
A22300	Share of profit or loss of associates accounted for Using equity method	7	(23,153)
A23700	Inventory write-down and obsolescence loss	1,653	39,218
A24100	Unrealized foreign exchange (gain) loss	(6,110)	2,134
A24200	Loss on redemption of convertible bonds	-	431
A30000	Net change in operating assets and liabilities		
A31130	Notes receivable	16,380	96,268
A31150	Accounts receivable	(27,534)	157,399
A31160	Accounts receivable - related parties	1	(7)
A31180	Other receivables	42,314	2,569
A31200	Inventory	(42,322)	(363)
A31230	Prepayments for goods	(3,338)	1,794
A31240	Other current assets	(38,240)	(22,267)
A32130	Notes payable and accounts payable	(9,321)	(16,971)
A32160	Accounts payable - related parties	6,405	(5,786)
A32180	Other payables	(26,497)	17,229
A32190	Other payables - related parties	(86)	(6)
A32230	Other current liabilities	(428)	(514)
A32240	Other non-current liabilities	<u>792</u>	<u>2,483</u>
A33000	Cash generated from operations	22,425	257,483

(Continued on the next page)

(Continued from the previous page)

Code		2024	2023
A33300	Interest paid	(\$ 31,670)	(\$ 31,447)
A33100	Interest received	1,843	2,460
A33200	Dividends received	1,869	1,342
A33500	Income tax paid	(60,062)	(68,793)
AAAA	Net cash inflow (outflow) from operating activities	<u>(65,595)</u>	<u>161,045</u>
	Cash flow from investing activities		
B00020	Disposal of financial assets measured at fair value through other comprehensive income	-	41,293
B00100	Acquisition of financial assets measured at fair value through profit or loss	(831,076)	(317,665)
B00200	Disposal of financial assets measured at fair value through profit or loss	768,911	286,277
B01800	Dividends received from associates	10,178	12,193
B02000	Increase in prepayments	(18,950)	(6,234)
B02400	Return of capital from invested companies using equity method	187	18,480
B02700	Purchase of property, plant, and equipment	(85,834)	(13,949)
B02800	Proceeds from disposal of property, plant, and equipment	-	4,193
B05350	Decrease in receivable compensation	212,460	206,410
B03700	Increase in deposits paid	(1,294)	(2)
B03800	Decrease in deposits paid	-	19
B06700	Increase in other non-current assets	(4,387)	(824)
BBBB	Net cash inflow from investing activities	<u>50,195</u>	<u>230,191</u>
	Cash flow from financing activities		
C00100	Short-term borrowings increase	2,726,930	1,972,346
C00200	Short-term borrowings decrease	(2,518,894)	(2,138,358)
C00500	Notes payable decrease	(24,979)	(19,986)
C01300	Redemption of convertible bonds	(57,300)	(143,414)
C01600	Long-term borrowings obtained	20,000	-
C01700	Repayment of long-term borrowings	(21,264)	(74,079)
C04020	Principal repayments on leases	(20,455)	(23,687)
C04500	Payment of cash dividends	-	(18,993)
C04800	Exercise of employee stock options	1,566	2,340
C05800	Payment of cash dividends to non-controlling interests	(1,177)	(4,000)
CCCC	Net cash flow from financing activities (outflow) inflow	<u>104,427</u>	<u>(447,831)</u>
DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>574</u>	<u>(4,237)</u>

(Continued on the next page)

(Continued from the previous page)

<u>Code</u>		<u>2024</u>	<u>2023</u>
E000	Decrease in cash and cash equivalents for the year	\$ 89,601	(\$ 60,832)
E00100	Cash and bank balances at the beginning of the year	<u>137,913</u>	<u>198,745</u>
E00200	Cash and bank balances at the end of the year	<u>\$ 227,514</u>	<u>\$ 137,913</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Chairman:
Chow, Pong-Chi

President:
Chu, Tsung-Wei

Accounting Manager:
Lee, Yun-Ting

Key Ware Electronics Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
From January 1 to December 31, 2024 and 2023
(Amount in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

I. Company History

Key Ware Electronics Co., Ltd. (the "Company") was incorporated on February 27, 1997, and is mainly engaged in the design, manufacture and processing of printed circuit board materials such as electroplating solution, dry film, drill bits and copper foil substrates.

The common stock issued by the Company has been listed and traded on the Taipei Exchange since March 29, 2001.

The consolidated financial statements are presented in the Company's functional currency, which is the New Taiwan Dollar (NTD).

II. Date and Procedures for Approval of Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 7, 2025.

III. Application of New and Amended Standards and Interpretations

- (I) Initial application of the latest Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC), and Standard Interpretations Committee (SIC) (the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (the "IFRS accounting standards").

The application of the IFRS accounting standards approved and issued by the FSC will not result in significant changes to the consolidated company's accounting policies.

- (II) IFRS accounting standards approved by the Financial Supervisory Commission (FSC) applicable for the year 2025:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date of Issuance by the IASB</u>
Amendment to IAS 21 'Lack of Exchangeability'	January 1, 2025 (Note 1)
Amendment to IFRS 9 and IFRS 7 'Amendments to Classification and Measurement of Financial Instruments' concerning the application guidance on financial asset classification	January 1, 2026 (Note 2)

Note 1: This applies to annual reporting periods beginning after January 1, 2025.

Upon initial application of the amendment, comparative periods should not be restated. The impact should be recognized in the retained earnings or equity item of foreign operations' exchange differences (as appropriate) on the initial application date, as well as in the affected assets and liabilities.

Note 2: Applicable to annual reporting periods beginning after January 1, 2026, the company may also choose to apply it early on January 1, 2025. Upon initial application of the amendment, retrospective application is required but comparative periods do not need to be restated. The impact of initial application should be recognized as of the initial application date. However, if the company is able to restate the comparative periods without the use of hindsight, it may choose to restate the comparative periods.

As of the date this Consolidated Financial Statements was approved for issuance, the consolidated company has assessed that the amendments to other standards and interpretations will not have a significant impact on its financial position and financial performance.

(III) Standards issued by the IASB but not yet endorsed and issued into effect by the IFRS

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date of Issuance by the IASB (Note 1)</u>
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7: “Amendments to Classification and Measurement of Financial Instruments” concerning application guidance on derecognition of financial liabilities.	January 1, 2026
Amendments to IFRS 9 and IFRS 7: “Contracts Involving Natural-Dependent Electricity.”	January 1, 2026
Amendments to IFRS 10 and IAS 28: “Sales or Contributions of Assets between an Investor and its Associates or Joint Ventures.”	To be determined
IFRS 17: “Insurance Contracts.”	January 1, 2023
Amendments to IFRS 17.	January 1, 2023
Amendments to IFRS 17: “Initial Application of IFRS 17 and IFRS 9 – Comparative Information.”	January 1, 2023
IFRS 18: “Presentation and Disclosure in Financial Statements.”	January 1, 2027
IFRS 19: “Subsidiaries Without Public Accountability: Disclosure.”	January 1, 2027

Note 1: Unless otherwise specified, the aforementioned New/Amended/Revised Standards and Interpretations shall be effective for the annual reporting period after the specified dates.

IFRS 18 ‘Presentation and Disclosure in Financial Statements’

The income statement should classify revenue and expense items into operating, investing, financing, income tax, and discontinued operations categories.

The income statement should present operating income, pre-tax income before financing, as well as subtotals and totals of income and expenses. Guidance is provided to enhance aggregation and disaggregation requirements: The consolidated company is required to identify assets, liabilities, equity, income, expenses, and cash flows arising from individual transactions, and to classify and aggregate them based on similar characteristics, so that each line item presented in the primary financial statements shares at least one similar characteristic. Items with dissimilar characteristics should be separately presented in the primary financial statements and notes. The consolidated company should label such items as ‘Other’ only when no more informative labeling can be found.

Disclosure of performance measures defined by management: When the consolidated company communicates with financial statement users regarding its overall financial performance from a management perspective, outside of the financial statements, it must disclose in a single note the information related to management’s defined performance measures, including descriptions of the measures, how they are calculated, their reconciliation with subtotals or totals specified by IFRS accounting standards, and the tax and non-controlling interest impacts of those adjustments.

Aside from the above impacts, as of the date consolidated financial report was approved for issuance, the consolidated company continues to evaluate the effects of amendments to various standards and interpretations on its financial position and performance, with relevant impacts to be disclosed once the evaluation is completed.

IV. Summary of Significant Accounting Policies

(I) Compliance declaration

This consolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS) approved and issued by the Financial Supervisory Commission (FSC).

(II) Preparation basis

Except for financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of plan assets, this consolidated financial report is prepared based on the

historical cost principle.

Fair value measurement is categorized into Level 1 to Level 3 based on the observability and significance of the related input values:

1. Level 1 Inputs: These are quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date (unadjusted).
2. Level 2 Inputs: These are observable inputs, either directly (e.g., prices) or indirectly (e.g., derived from prices), other than those in Level 1.
3. Level 3 Inputs: These are unobservable inputs for assets or liabilities.

(III) Criteria for distinguishing between current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for trading purposes;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and bank deposit (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for trading purposes;
2. Liabilities that are due for settlement within 12 months after the balance sheet date (even if long-term refinancing or payment arrangements have been completed between the balance sheet date and the approval of the financial report, these are still classified as current liabilities); and
3. Liabilities for which there is no substantive right to defer the settlement date for at least 12 months after the balance sheet date.

Any assets or liabilities that do not fall into the categories of current assets or current liabilities are classified as non-current assets or non-current liabilities.

(IV) Basis of consolidation

The consolidated financial statements have been prepared using the functional currency of the Company and include the financial statements of the Company and its controlled entities (subsidiaries). The consolidated statement of comprehensive income incorporates the operating results of acquired or disposed subsidiaries from the date of acquisition or up to the date of disposal within the period. The financial statements of the subsidiaries have been adjusted to align their accounting policies with those of the consolidated company. In preparing the consolidated financial statements, all intercompany transactions, balances, income, and expenses have been eliminated in full. The total comprehensive income of subsidiaries is attributed to the

owners of the Company and to non-controlling interests, even if this results in a deficit balance for the non-controlling interests.

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

For details on the subsidiaries, shareholding ratios, and business activities, please refer to Notes XI (Tables 5 and 6).

(V) Foreign currencies

When each entity prepares its financial statements, transactions denominated in currencies other than the entity's functional currency (foreign currencies) are translated into the functional currency using the exchange rate prevailing at the transaction date.

Foreign currency monetary items are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from the settlement or revaluation of monetary items are recognized in profit or loss in the period they occur.

Foreign currency non-monetary items measured at fair value are translated at the exchange rate on the date the fair value is determined, and any exchange differences are recognized in profit or loss. However, for non-monetary items whose fair value changes are recognized in other comprehensive income, the exchange differences are recognized in other comprehensive income.

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

When preparing the consolidated financial report, assets and liabilities of foreign operations (including subsidiaries, associates, joint ventures, or branches whose operational country or currency differs from the Company's) are translated into New Taiwan Dollars at the exchange rate on each balance sheet date. Income and expense items are translated at the average exchange rate for the period, with any resulting exchange differences recognized in other comprehensive income (and are attributed to owners of the Company and non-controlling interests, respectively).

If the consolidated company disposes of its entire interest in a foreign operation, or

disposes of a portion of its interest in a foreign operation but loses control, or disposes of a joint arrangement or associate, the cumulative exchange differences related to that foreign operation are reclassified to profit or loss.

If the partial disposal of a subsidiary that operates abroad does not result in the loss of control, the cumulative exchange differences are reallocated to the non-controlling interest of the subsidiary on a proportionate basis, rather than being recognized in profit or loss. In any other case of partial disposal of a foreign operation, the cumulative exchange differences are reclassified to profit or loss based on the proportion of the disposal.

(VI) Inventories

Inventories comprise raw materials, supplies, finished goods and work in process. Inventory is measured at the lower of cost and net realizable value. When comparing cost and net realizable value, this is done on an individual item basis, except for inventories of the same type. Net realizable value refers to the estimated selling price in the ordinary course of business, less the estimated costs to complete and the estimated costs to make the sale. The cost of inventory is calculated using the weighted average method.

(VII) Investments in associates

An associate is defined as an entity in which the parent company has significant influence, but which is not a subsidiary or joint venture.

The parent company applies the equity method for investments in associates.

Under the equity method, the initial investment in an associate is recognized at cost, and the carrying amount is subsequently adjusted based on the parent company's share of the associate's profits or losses and other comprehensive income. Additionally, any changes in the parent company's share of the associate's equity are recognized in proportion to its ownership interest.

If the acquisition cost exceeds the fair value of the identifiable assets and liabilities of the associate at the acquisition date, the excess is recognized as goodwill, which is included in the carrying amount of the investment and is not amortized. If the fair value of the identifiable assets and liabilities of the associate exceeds the acquisition cost, the difference is recognized in the current period's profit or loss.

When an associate issues new shares and the parent company does not subscribe to its proportionate share, resulting in a change in ownership percentage, the difference in the investment's equity is adjusted against capital reserves for the change in the

equity method investment. However, if the ownership interest in the associate is reduced, any amounts previously recognized in other comprehensive income related to the associate are reclassified in proportion to the reduction in ownership.

When the parent company's share of an associate's losses equals or exceeds its investment in the associate (including the carrying amount of the equity-method investment and other long-term interests in the associate), no further losses are recognized, except for any legal obligations, assumed obligations, or amounts paid on behalf of the associate.

When evaluating impairment, the carrying amount of the entire investment (including goodwill) is tested for impairment by comparing the recoverable amount to the carrying amount. Any recognized impairment loss is included as part of the investment's carrying amount. If there is a reversal of impairment, it is recognized to the extent of an increase in the recoverable amount of the investment.

Once the parent company no longer has significant influence over an associate, it discontinues applying the equity method. The retained interest is measured at fair value, and the difference between the fair value and the carrying amount of the investment on the date of discontinuation is recognized in profit or loss. Additionally, any amounts recognized in other comprehensive income related to the associate are accounted for in the same manner as if the assets or liabilities were directly disposed of.

If an investment in an associate becomes a joint venture or vice versa, the parent company continues to apply the equity method without re-measuring the retained interest.

Profits and losses arising from upstream, downstream, and side-stream transactions between the parent company and its associates are only recognized to the extent that they do not relate to the parent company's equity in the associate.

(VIII) Property, plant, and equipment

Real estate, plant, and equipment are recognized at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Except for land, which is not depreciated, real estate, plant, and equipment are depreciated on a straight-line basis over their estimated useful life, with depreciation being applied to each significant part separately. The consolidated company reviews the estimated useful life, residual value, and depreciation method at least at the end of each year and defers the impact of changes in accounting estimates.

When real estate, plant, and equipment are disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

- (IX) Impairment of real estate, plant and equipment, right-of-use assets, intangible assets (excluding goodwill), and contract cost-related assets

The consolidated company evaluates at each balance sheet date whether there are any indications that real estate, plant and equipment, right-of-use assets, and intangible assets (excluding goodwill) may be impaired. If any indication of impairment exists, the recoverable amount of the asset is estimated. If the recoverable amount of an individual asset cannot be estimated, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Shared assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis.

The recoverable amount is the higher of fair value less selling costs and its value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, the carrying amount is adjusted down to its recoverable amount, and an impairment loss is recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined if no impairment loss had been recognized in prior years (less accumulated amortization or depreciation). The reversal of an impairment loss is recognized in profit or loss.

- (X) Non-current assets held for sale

The carrying amount of non-current assets is classified as held for sale when it is expected to be primarily recovered through a sale transaction rather than continued use. Non-current assets that meet this classification must be available for immediate sale in their present condition, and the sale must be highly probable. When appropriate management has committed to a plan to sell the asset, and the sale transaction is expected to be completed within one year from the classification date, the sale is considered highly probable.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and depreciation on such assets is discontinued.

(XI) Financial instruments

Financial assets and financial liabilities are recognized in the Consolidated Financial Statement when the consolidated company becomes a party to the contractual terms of the instrument.

When initially recognizing financial assets and financial liabilities, if the financial asset or financial liability is not measured at fair value through profit or loss, it is measured at fair value plus any directly attributable transaction costs incurred in acquiring or issuing the financial asset or financial liability. Transaction costs directly attributable to acquiring or issuing financial assets or financial liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

1. Financial assets

The routine transactions of financial assets are recognized and derecognized based on the trade date accounting method.

(1) Types of measurement

The types of financial assets held by the consolidated company are financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and equity instrument investments measured at fair value through other comprehensive income.

A. Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss include those that are mandatory to be measured at fair value through profit or loss and those designated as measured at fair value through profit or loss. Financial assets that are mandatory to be measured at fair value through profit or loss include equity instrument investments that are not designated to be measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value, with dividends and interest recognized as other income. Any subsequent gains or losses from remeasurement are recognized as other gains and losses. The method of determining fair value is detailed in Note XXVII.

B. Financial assets at amortized cost

If the consolidated company's financial asset investments meet the following two conditions, they are classified as financial assets

measured at amortized cost:

- a. The asset is held under a particular business model whose objective is to hold financial assets to collect contractual cash flows; and
- b. The contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the outstanding principal amount.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable measured at amortized cost, accounts receivable, accounts receivable – related parties and other receivables – related parties, etc.) are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any foreign exchange gains or losses are recognized in profit or loss.

C. Equity Investments Measured at Fair Value Through Other Comprehensive Income

The consolidated company may, at initial recognition, make an irrevocable election to classify equity investments that are not held for trading and not held by the consolidated company for business acquisition purposes or for consideration, as financial assets measured at fair value through other comprehensive income.

Equity investments measured at fair value through other comprehensive income are initially recognized at fair value, with subsequent fair value changes reported in other comprehensive income and accumulated in other equity. Upon disposal of the investment, the accumulated gains or losses are directly transferred to retained earnings and are not reclassified to profit or loss.

Dividends on equity investments measured at fair value through other comprehensive income are recognized in profit or loss when the consolidated company's right to receive the dividends is established, unless the dividend clearly represents a recovery of part of the investment's cost.

(2) Impairment of financial assets

The consolidated company evaluates expected credit losses for financial assets measured at amortized cost (including notes receivable, accounts

receivable, and other receivable) on each balance sheet date.

Notes receivable and accounts receivable are recognized with an allowance for losses based on the expected credit losses over their entire lifespan. For other financial assets, the company first evaluates whether the credit risk has significantly increased since initial recognition. If the credit risk has not significantly increased, an allowance for losses is recognized based on 12-month expected credit losses. If the credit risk has significantly increased, an allowance for losses is recognized based on the expected credit losses over the entire lifespan.

Expected credit loss is the weighted average credit loss, with the risk of default as the weight. The 12-month expected credit loss represents the expected credit loss resulting from potential defaults within the next 12 months after the reporting date, while the lifetime expected credit loss represents the expected credit loss resulting from all potential defaults during the expected lifetime of the financial instrument.

For internal credit risk management purposes, the consolidated company determines that a financial asset has defaulted if there is internal or external information indicating that the debtor is no longer likely to repay the debt, excluding any consideration of collateral held.

The impairment loss for all financial assets is recognized by reducing the carrying amount through an allowance account.

(3) Derecognition of financial assets

The consolidated company only derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the financial asset has been transferred and almost all of the risks and rewards of ownership of the asset have been transferred to another entity.

When a financial asset measured at amortized cost is derecognized in its entirety, the difference between its carrying amount and the consideration received is recognized in profit or loss. When an equity instrument investment measured at fair value through other comprehensive income is derecognized in its entirety, the accumulated gains or losses are directly transferred to retained earnings and are not reclassified to profit or loss.

2. Equity instruments

The consolidated company's issued debt and equity instruments are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized at the amount received, less direct issuance costs.

When the company repurchases its own equity instruments, they are recognized and deducted under equity. Purchases, sales, issuances, or cancellations of the company's own equity instruments are not recognized in profit or loss.

3. Financial liabilities

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

4. Convertible bonds

The convertible bonds issued by the consolidated company are classified into financial liabilities and equity based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments at the time of initial recognition.

At initial recognition, the fair value of the liability component is estimated using the market interest rate for similar non-convertible instruments, and the amortized cost is calculated using the effective interest method until conversion or maturity. The liability component that contains embedded non-equity derivatives is measured at fair value.

The conversion option classified as equity is the remaining amount of the fair value of the entire compound instrument, after subtracting the fair value of the liability component determined separately, and is recognized as equity after deducting the tax effects. This amount is not remeasured thereafter. When the conversion option is exercised, the related liability component and the amount recognized in equity are transferred to share capital and capital

surplus—issuance premium. If the conversion option is not exercised by the maturity date, the amount recognized in equity will be transferred to capital surplus—issuance premium.

The transaction costs related to the issuance of convertible bonds are allocated to the liability (included in the liability carrying amount) and equity components (included in equity) based on their proportional share of the total consideration.

(XII) Revenue recognition

After identifying the performance obligations in customer contracts, the consolidated company allocates the transaction price to each performance obligation and recognizes revenue when each performance obligation is satisfied.

1. Sales revenue of commodities

Revenue from merchandise sales is derived from the sale of drill bits and copper-clad laminates. The consolidated company recognizes revenue and accounts receivable when the customer has established a price for the goods and the right to use them, and when the customer assumes the primary responsibility for resale and bears the risk of obsolescence of the goods.

Revenue is not recognized during material processing because the control of ownership of the processed products has not yet been transferred at the time of processing.

2. Processing revenue

Processing revenue is derived from services such as electrical testing of drill bits, mechanical drilling, and laser drilling.

As the consolidated company provides services including electrical testing of drill bits, mechanical drilling, and laser drilling, customers simultaneously receive and consume the benefits of performance obligations. Accordingly, the related revenue is recognized when the services are rendered.

(XIII) Leases

The consolidated company assesses whether the contract is (or includes) a lease on the date of its establishment.

1. Where the consolidated company is a lessor:

When the lease terms transfer almost all the risks and rewards incidental to the ownership of an asset to the lessee, it is classified as a finance lease. All other

leases are classified as operating leases.

Under operating leases, lease payments, after deducting lease incentives, are recognized as revenue on a straight-line basis over the relevant lease term. Direct initial costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as an expense on a straight-line basis over the lease term.

2. Where the consolidated company is a lessee:

Except for leases of low-value assets and short-term leases that qualify for recognition exemptions, lease payments are recognized as expenses on a straight-line basis over the lease term. For all other leases, right-of-use assets and lease liabilities are recognized on the lease commencement date.

The right-of-use asset is initially measured at cost, which includes the initial measurement amount of the lease liability, initial direct costs, and estimated costs to restore the underlying asset. Subsequently, it is measured at cost less accumulated depreciation and impairment losses, with adjustments made for any remeasurements of the lease liability. The right-of-use asset is presented separately on the consolidated balance sheet.

The right-of-use asset is depreciated on a straight-line basis from the commencement date of the lease to the earlier of the asset's useful life or the lease term.

The lease liability is initially measured at the present value of lease payments, including fixed payments. If the lease's implicit interest rate is readily determinable, lease payments are discounted using that rate. If the rate is not readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, the lease liability is measured at amortized cost using the effective interest method, and interest expenses are allocated over the lease term. If changes in the lease term, residual value guarantees, or changes in the index or rate used to determine lease payments result in changes to future lease payments, the consolidated company remeasures the lease liability and adjusts the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset has been reduced to zero, any remaining remeasurement amount is recognized in profit or loss. The lease liability is presented separately on the consolidated balance sheet.

(XIV) Government Grants

Government grants are recognized only when it is reasonably certain that the consolidated company will comply with the conditions attached to the grants and that the grants will be received.

Grants related to income are recognized as other income on a systematic basis over the periods in which the consolidated company recognizes the related costs as expenses.

(XV) Employee benefits

1. Short-term employee benefits

Short-term employee benefits-related liabilities are measured at the expected amount to be paid in exchange for employee services, without discounting.

2. Retirement benefits

The retirement benefits for defined contribution retirement plans are recognized as an expense in the amount that should be contributed during the period in which the employee provides services.

For defined benefit retirement plans, the defined benefit cost (including service cost, net interest, and remeasurements) is actuarially determined using the projected unit credit method. Service costs (including current service costs) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expenses when incurred. Remeasurements (including actuarial gains or losses and returns on plan assets, excluding interest) are recognized in other comprehensive income when they occur and are included in retained earnings, with no subsequent reclassification to profit or loss.

The net defined benefit liability (asset) represents the plan's shortfall (surplus) of contributions. The net defined benefit asset cannot exceed the present value of any future contributions expected to be refunded from the plan or reduce future contributions.

(XVI) Share-based payment arrangements

Employee stock options are recognized as an expense on a straight-line basis over the vesting period, based on the fair value of the equity instruments granted on the grant date and the best estimate of the expected number of options to be vested. If the options are immediately vested on the grant date, the entire expense is recognized on that date. The consolidated company designates the grant date for employee stock subscriptions under cash capital increases as the date on which the number of shares

subscribed by employees is confirmed.

The consolidated company adjusts the estimate of the expected number of employee stock options to be vested as of each balance sheet date. If the original estimate is revised, the effect of the revision is recognized in profit or loss, so that the cumulative expense reflects the revised estimate, and the capital surplus – employee stock options is adjusted accordingly.

(XVII) Income Tax

Income tax expenses are the sum of the tax in the current period and deferred income tax.

1. Current income tax

The consolidated company determines the current income (loss) based on the regulations established by the tax authorities in each tax jurisdiction, and calculates the income tax payable (recoverable) accordingly.

The additional income tax on undistributed earnings, calculated in accordance with the Income Tax Act of the Republic of China, is recognized in the year the shareholders' meeting resolves the distribution.

Adjustments to income tax payable from previous years are included in the current period's income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amounts of assets and liabilities and their tax bases for calculating taxable income. Temporary differences arising from the initial recognition of assets and liabilities that are not part of a business combination, and at the time of the transaction neither affect taxable income nor accounting profit, and do not give rise to equal taxable and deductible temporary differences, are not recognized as deferred tax assets or liabilities. In addition, taxable temporary differences arising from the initial recognition of goodwill are not recognized as deferred tax liabilities.

Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized when it is likely that there will be taxable income available to offset temporary differences or carryforward losses

For taxable temporary differences related to investments in subsidiaries, associates, and joint arrangement, deferred tax liabilities are recognized, except

when the consolidated company can control the timing of the reversal of the temporary differences and it is likely that the differences will not reverse in the foreseeable future. For deductible temporary differences related to such investments, deferred tax assets are recognized only when it is likely that there will be sufficient taxable income to realize the temporary differences and the reversal is expected within the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted downward if it is no longer likely that sufficient taxable income will be available to recover all or part of the asset. Deferred tax assets that were not previously recognized are also reviewed at each balance sheet date, and the carrying amount is increased if it is likely that taxable income will be generated in the future to recover all or part of the asset.

Deferred tax assets and liabilities are measured using the tax rates expected to apply to the period when the liability is settled or the asset is realized, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the expected tax consequences of how the consolidated company expects to recover or settle the carrying amounts of its assets and liabilities at the balance sheet date.

3. Current and deferred income taxes for the year

Current and deferred income taxes are recognized in profit or loss, except for those related to items recognized in other comprehensive income or directly in equity, in which case the current and deferred income taxes are recognized in other comprehensive income or directly in equity, respectively.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When adopting accounting policies, the management must make relevant judgments, estimates, and assumptions based on historical experience and other pertinent factors for information that is not easily obtained from other sources. Actual results may differ from these estimates.

Management will continuously review the estimates and underlying assumptions. If the revision of an estimate affects only the current period, it will be recognized in the current period's estimate. If the revision affects both the current and future periods, it will be recognized in the current and future periods.

VI. Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand	\$ 864	\$ 831
Checks and demand deposits in banks	<u>226,650</u>	<u>137,082</u>
	<u>\$ 227,514</u>	<u>\$ 137,913</u>

VII. Financial Instruments at Fair Value through Profit or Loss

Financial assets - current

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Mandatorily measured at fair value through profit or loss</u>		
Domestic listed (OTC) and emerging stocks	\$ 79,516	\$ 33,049
Foreign listed stocks	18,298	10,022
Renminbi financial products	<u>22,029</u>	<u>67,195</u>
	<u>\$ 119,843</u>	<u>\$ 110,266</u>

VIII. Financial assets at fair value through other comprehensive income

Investments in equity instruments

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Current</u>		
Domestic OTC stocks	<u>\$ 256,449</u>	<u>\$ 282,220</u>
<u>Non-current</u>		
Domestic unlisted (OTC) stocks	\$ 17,634	\$ 19,469
Foreign unlisted (OTC) stocks	<u>18,867</u>	<u>20,940</u>
	<u>\$ 36,501</u>	<u>\$ 40,409</u>

The consolidated company invests in equity instruments for medium- to long-term strategic purposes, with the expectation of generating profits through long-term investments. The management believes that including the short-term fair value fluctuations of these investments in profit or loss would be inconsistent with the aforementioned long-term investment strategy. Therefore, the consolidated company has chosen to designate these investments as fair value through other comprehensive income.

In the year 2023, the consolidated company adjusted its investment positions to diversify risk, selling part of its equity instrument investments for 33,293 thousand at fair value. The related unrealized loss of 7,831 thousand on other equity—fair value

through other comprehensive income financial assets—was transferred to retained earnings.

For information on the pledged equity instrument investments measured at fair value through other comprehensive income (Note XXIX).

IX. Notes Receivables, Accounts Receivables, and Other Receivables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Notes receivable</u>		
Due to operation	\$ 49,086	\$ 62,863
Less: Loss allowances	(<u>266</u>)	(<u>1,247</u>)
	<u>\$ 48,820</u>	<u>\$ 61,616</u>
 <u>Accounts receivable</u>		
Due to operation	\$ 554,762	\$ 507,167
Less: Loss allowances	(<u>7,190</u>)	(<u>10,712</u>)
	<u>\$ 547,572</u>	<u>\$ 496,455</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Other receivables</u>		
Receivables from land expropriation (Note XIV)	\$ 135,954	\$ 195,601
Receivables from disposal of equipment (Note XIV)	-	18,113
Deferred sales tax	48	-
Receivables from disposal of investments	-	12,559
Others	7,549	1,794
Less: Allowance for losses	(<u>862</u>)	(<u>39,680</u>)
	<u>\$ 142,689</u>	<u>\$ 188,387</u>
 <u>Other receivables - Non-current</u>		
Receivables from land expropriation (Note XIV)	\$ 137,279	\$ 238,599
Receivables from disposal of equipment (Note XIV)	-	32,264
Deduct: Allowance for losses	(<u>1,659</u>)	(<u>28,117</u>)
	<u>\$ 135,620</u>	<u>\$ 242,746</u>

(I) Notes and Accounts Receivable

To mitigate credit risk, the management of the consolidated company assigns sales personnel to follow up on overdue payments to ensure that appropriate actions have been taken for the collection of overdue receivables. In addition, as of the balance sheet date, the consolidated company individually reviews the recoverability of receivables to ensure that adequate allowance for doubtful accounts has been provided for uncollectible receivables. Accordingly, the management of the

consolidated company believes that the company's credit risk has been significantly reduced.

The consolidated company's average credit period is 120 to 180 days, and no interest is charged on accounts receivable.

The consolidated company adopts the simplified approach under IFRS 9 to recognize an allowance for doubtful accounts based on the expected credit losses over the lifetime of the receivables. The lifetime expected credit losses are calculated using a provision matrix. This matrix is based on the historical average recovery rates by aging bucket for different customer groups, past default records, and current financial conditions of customers. It also takes into account GDP forecasts and industry outlooks to determine an appropriate loss rate for recognizing a proportionate allowance.

If there is evidence that a counterparty is experiencing significant financial difficulty and the consolidated company cannot reasonably expect to recover the amount, the related receivables are written off directly. However, collection efforts will continue, and any amounts recovered through such efforts are recognized in profit or loss.

The consolidated company measures the allowance for notes receivable and accounts receivable using the provision matrix as follows:

	December 31, 2024		December 31, 2023	
	Expected Credit Loss Rate (%)	Carrying amount	Expected Credit Loss Rate (%)	Carrying amount
Not yet overdue	0.72	\$549,644	0.53	\$530,706
0 to 90 Days	11.38	32,306	9.30	19,249
91 to 180 Days	21.48	9,948	13.68	5,303
181 to 270 Days	26.40	5,739	18.44	8,791
271 to 360 Days	60.97	3,113	65.71	3,927
over 360 Days	100	3,098	100	2,054
Total carrying amount		603,848		570,030
Less: Allowance for losses (Expected credit losses over the life of the asset)				
		(7,456)		(11,959)
Amortized cost		\$596,392		\$558,071

The changes in the allowance for doubtful accounts and notes receivable are as follows:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 11,959	\$ 6,965
Add: Impairment loss (reversal) recognized for the current year	(5,260)	5,978
Less: Actual write-offs for the current year	-	(800)
Foreign currency translation difference	<u>757</u>	<u>(184)</u>
Ending balance	<u>\$ 7,456</u>	<u>\$ 11,959</u>

The consolidated company's accounts receivable balances as of December 31, 2024 and 2023 were significantly concentrated among key customers, posing credit risk. Please refer to Note XXVII for further details.

(II) Other receivables

The consolidated company recognizes an allowance for other receivables based on historical experience and the risk of default. The changes in the allowance for other receivables are as follows:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 67,797	\$ 3,150
Impairment loss (reversal) recognized in the current year	(48,066)	65,879
Actual write-off in the current year	(20,130)	-
Exchange difference	<u>2,920</u>	<u>(1,232)</u>
Ending balance	<u>\$ 2,521</u>	<u>\$ 67,797</u>

X. Inventories

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Raw material	\$ 17,501	\$ 15,897
Material	13,276	10,023
Work in process	124,099	90,010
Finished products	<u>354,361</u>	<u>319,386</u>
	<u>\$ 509,237</u>	<u>\$ 435,316</u>

The cost of goods sold related to inventory for the consolidated company in the years 2024 and 2023 was NT\$717,367 thousand and NT\$779,791 thousand, respectively. The cost of goods sold for the years 2024 and 2023 included inventory write-down losses of NT\$1,653 thousand and NT\$39,218 thousand, respectively.

XI. Non-current Assets Held For Sale

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Machinery and Equipment held for sale	\$ <u> -</u>	\$ <u>49,227</u>

In November of year 2023, the consolidated company idled some of its capacity due to reduced market demand, and thus planned to sell some machinery and equipment. These assets were reclassified as non-current assets held for sale. The expected sale price of these assets in year 2023 was lower than the carrying amount of the related net assets, resulting in an impairment loss of NT\$44,333 thousand, which was included in other gains and losses. The fair value measurement was based on an evaluation by an independent appraiser, using both the cost method and market method, which falls under Level 3 fair value.

In November of year 2024, considering the current economic environment and after reassessing reasonable operating capacity, the consolidated company decided to halt the sale plan for the assets held for disposal and reversed the reclassification from non-current assets held for sale.

XII. Subsidiaries

Subsidiaries included in the consolidated financial statements

The entities involved in the preparation of the Consolidated Financial Statements are listed as follows:

<u>Name of Investor</u>	<u>Name of Subsidiary</u>	<u>Business Nature</u>	<u>Shareholding %</u>	
			<u>December 31, 2024</u>	<u>December 31, 2023</u>
The Company	Key Ware International Limited (Key Ware)	General investment	100%	100%
The Company	Key De Precise Industries Co., Ltd. (Key De Precise)	Wholesale and processing of electronic components	51%	51%
The Company	Laserware Laser Technology Co., Ltd. (Laserware Laser)	Electronic components, machinery equipment, and drilling subcontracting	99.99%	99.99%
The Company	Jia Chi Co., Ltd. (Jia Chi)	Drilling subcontracting	83.63%	83.63%
The Company	Hui Peng Technology Co., Ltd. (Hui Peng)	Electronic components, machinery equipment, and drilling subcontracting	60%	60%
The Company	KEY WARE ELECTRONICS (THAILAND) CO.,LTD.	Drilling subcontracting	100%	-
Key Ware	Advisor Move Investments Limited (Advisor)	General investment	100%	100%
Key Ware	Module System International Limited (Module)	General investment	100%	100%
Module、Advisor	Kunshan Key Ware Electronics Co., Ltd. (Kunshan Key Ware)	Sales of drilling tools and hand tools	100%	100%
Kunshan Key Ware	Kunshan Laserware Laser Technology Co., Ltd. (Kunshan Laserware Laser)	Drilling subcontracting	100%	100%
Kunshan Key Ware	King Ware (Chongqing) Electronics Co., Ltd. (King Ware)	Sales of drilling tools and hand tools	100%	100%

			<u>Shareholding %</u>	
Kunshan Key Ware	Wuhan Laserware Laser Technology Co., Ltd. (Wuhan Laserware Laser)	Drilling subcontracting	100%	100%
Kunshan Key Ware	Shenzhen Laserware Laser Technology Co., Ltd. (Shenzhen Laserware Laser)	Drilling subcontracting	100%	100%
Kunshan Key Ware	Hubei Laserware Laser Technology Co., Ltd. (Hubei Laserware Laser)	Drilling subcontracting	100%	-

In March 2024, the company's board of directors passed a resolution to establish a subsidiary, KEY WARE THAILAND. The registration has been completed, and a capital injection of THB\$2,500 thousand was made in March 2024.

In March 2024, the company's board of directors also passed a resolution to establish a subsidiary, Hubei Laserware, with Kunshan Key Ware investing CNY\$13,500 thousand and acquiring 100% ownership. The registration has been completed.

XIII. Investments Accounted for Using the Equity Method

The consolidated company's associates are listed as follows:

<u>Name of Company</u>	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Amount</u>	<u>Equity %</u>	<u>Amount</u>	<u>Equity %</u>
<u>Individually insignificant associates</u>				
Rong Pei Wisdom Co., Ltd.	\$ -	-	\$ 13,138	22.73

The summarized financial information of the associated enterprises of the consolidated company is as follows:

	<u>2024</u>	<u>2023</u>
Share of profits owned by the consolidated company		
Net Income (Loss) from Continuing Operations for the Current Year	(\$ 7)	\$ 23,153
Other comprehensive income	\$ -	\$ -

Rong Pei Wisdom Co., Ltd. obtained approval for dissolution registration in May 2024 and completed the liquidation process in January 2025.

XIV. Property, plant, and equipment

	<u>Self-owned Land</u>	<u>Housing and Construction</u>	<u>Machinery</u>	<u>Office Equipment</u>	<u>Transportation equipment</u>	<u>Lease Improvements</u>	<u>Other Equipment</u>	<u>Total</u>
<u>Cost</u>								
Balance as of January 1, 2023	\$ 113,167	\$ 510,533	\$ 2,510,800	\$ 1,380	\$ 18,249	\$ 141,528	\$ 72,576	\$ 3,368,233
Addition	-	100	11,496	-	80	-	2,273	13,949
Disposals	-	(10,645)	(20,197)	-	(73)	-	(275)	(31,190)
Reclassified as held for sale	-	-	(131,447)	-	-	-	-	(131,447)
Net Exchange Differences	-	(5,570)	(16,220)	(6)	(56)	-	(983)	(22,835)
Reclassifications	-	-	43,717	-	(11)	(44,814)	4,687	3,579
Balance as of December 31, 2023	<u>\$ 113,167</u>	<u>\$ 494,418</u>	<u>\$ 2,398,149</u>	<u>\$ 1,374</u>	<u>\$ 18,189</u>	<u>\$ 96,714</u>	<u>\$ 78,278</u>	<u>\$ 3,200,289</u>

	Self-owned Land	Housing and Construction	Machinery	Office Equipment	Transportation equipment	Lease Improvements	Other Equipment	Total
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2023	\$ -	\$ 65,571	\$ 1,589,782	\$ 1,267	\$ 15,152	\$ 20,663	\$ 39,379	\$ 1,731,814
Disposals	-	(3,890)	(10,061)	-	(20)	-	(66)	(14,037)
Reclassified as held for sale	-	-	(37,887)	-	-	-	-	(37,887)
Recognition of impairment losses	-	-	28,712	-	447	57,264	-	86,423
Depreciation expenses	-	13,730	92,991	-	667	4,627	11,216	123,231
Net Exchange Differences	-	(345)	(14,802)	(5)	(41)	-	(670)	(15,863)
Reclassifications	-	(1,888)	7,492	(5)	(652)	(5,961)	980	(34)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 73,178</u>	<u>\$ 1,656,227</u>	<u>\$ 1,257</u>	<u>\$ 15,553</u>	<u>\$ 76,593</u>	<u>\$ 50,839</u>	<u>\$ 1,873,647</u>
Net as of December 31, 2023	<u>\$ 113,167</u>	<u>\$ 421,240</u>	<u>\$ 741,922</u>	<u>\$ 117</u>	<u>\$ 2,636</u>	<u>\$ 20,121</u>	<u>\$ 27,439</u>	<u>\$ 1,326,642</u>
<u>Cost</u>								
Balance as of January 1, 2024	\$ 113,167	\$ 494,418	\$ 2,398,149	\$ 1,374	\$ 18,189	\$ 96,714	\$ 78,278	\$ 3,200,289
Addition	-	1,096	73,662	1,687	441	7,584	1,364	85,834
Disposals	-	-	(1,152)	(174)	-	-	(2,320)	(3,646)
Reclassified as held for sale	-	-	131,447	-	-	-	-	131,447
Net Exchange Differences	-	16,928	62,932	16	172	-	2,983	83,031
Reclassifications	-	377	5,735	-	(147)	675	108	6,748
Balance as of December 31, 2024	<u>\$ 113,167</u>	<u>\$ 512,819</u>	<u>\$ 2,670,773</u>	<u>\$ 2,903</u>	<u>\$ 18,655</u>	<u>\$ 104,973</u>	<u>\$ 80,413</u>	<u>\$ 3,503,703</u>
<u>Accumulated depreciation and impairment</u>								
Balance as of January 1, 2024	\$ -	\$ 73,178	\$ 1,656,227	\$ 1,257	\$ 15,553	\$ 76,593	\$ 50,839	\$ 1,873,647
Disposals	-	-	(344)	(156)	-	-	(859)	(1,359)
Reclassified as held for sale	-	-	82,221	-	-	-	-	82,221
Reversal of impairment loss	-	-	(25,009)	-	-	-	-	(25,009)
Depreciation expenses	-	14,204	79,950	187	554	3,582	4,662	103,139
Net Exchange Differences	-	1,090	42,584	16	128	-	(482)	43,336
Reclassifications	-	377	378	-	(139)	-	(269)	347
Balance as of December 31, 2024	<u>\$ -</u>	<u>\$ 88,849</u>	<u>\$ 1,836,007</u>	<u>\$ 1,304</u>	<u>\$ 16,096</u>	<u>\$ 80,175</u>	<u>\$ 53,891</u>	<u>\$ 2,076,322</u>
Net as of December 31, 2024	<u>\$ 113,167</u>	<u>\$ 423,970</u>	<u>\$ 834,766</u>	<u>\$ 1,599</u>	<u>\$ 2,559</u>	<u>\$ 24,798</u>	<u>\$ 26,522</u>	<u>\$ 1,427,381</u>

(I) Depreciation of property, plant and equipment is calculated on a straight-line basis according to the following durable years:

Housing and Construction	20 to 50 years
Machinery	2 to 13 years
Transportation Equipment	3 to 5 years
Office Equipment	3 to 8 years
Lease Improvements	3 to 9 years
Other Equipment	3 to 20 years

(II) In the year 2023, the consolidated company assessed that certain machinery and leasehold improvements were idle due to decreased market demand. As the recoverable amount was lower than the carrying amount, an impairment loss of NT\$86,423 thousand was recognized and recorded under other gains and losses.

In the year 2024, due to a rebound in market demand, the consolidated company reassessed and determined that the future economic benefits of certain machinery had

increased, resulting in a recoverable amount exceeding the carrying amount. Accordingly, a reversal of impairment loss of NT\$25,009 thousand was recognized and recorded under other gains and losses.

The consolidated company used value in use as the recoverable amount for this machinery, with a discount rate of 8.278%.

(III) Kunshan Key Ware and Kunshan Weixing were originally located at No. 1999, Hua'an Road, Huaqiao Town, Kunshan City, Jiangsu Province, China. Due to the construction requirements of Shanghai Metro Line 11 and Suzhou Metro Line S1, and in coordination with the relocation request from the local authority — the Huaqiao Economic Development Zone Planning and Construction Bureau — the Board of Directors authorized the Chairman to handle the signing of the relocation compensation agreement in accordance with the law. The details of the signed compensation agreement are as follows:

1. Agreement on Compensation for the Demolition of Above-Ground Structures

The Agreement on Compensation for the Demolition of Above-Ground Structures was signed on December 11, 2015 between the Huachiao Town Relocation Office of Kunshan City and Kunshan Huwei. The agreement covers compensation for immovable assets of Kunshan Huwei and Kunshan Weixing, as well as for production suspension, business interruption, and relocation. The total compensation amounted to CNY\$152,206 thousand.

Kunshan Key Ware completed the relocation in phases after signing the Agreement on Compensation for the Demolition of Above-Ground Structures and has handed over all plant facilities to the Huachiao Town Relocation Office of Kunshan City. The full amount of the aforementioned compensation was received in February 2023.

2. Land Use Rights Acquisition Compensation Agreement

The Land Use Rights Expropriation Compensation Agreement was signed on January 6, 2023, between “Kunshan Huaqiao Weimin Housing Demolition Co., Ltd.” and Kunshan Key Ware. The agreement addresses compensation for the reclamation of state-owned land use rights and relocation for Kunshan Key Ware and Kunshan Weixing. The main terms of the agreement are as follows:

- (1) The total compensation amount is CNY\$158,856 thousand;
- (2) Kunshan Huaqiao Weimin House Demolition Limited Company shall pay the first installment of compensation of CNY\$47,000 thousand by

June 2023; the second installment of compensation of CNY\$47,000 thousand by June 2024 (has been fully received); the third installment of compensation of CNY\$31,000 thousand by June 2025; and the remaining compensation of CNY\$33,857 thousand by June 2026.

- (3) Kunshan Key Ware and Kunshan Weixing shall, after signing the agreement, submit the land use certificates and legal documents for the cancellation of the land use certificates and property certificates to Kunshan Huqiao Weimin Housing Demolition Co., Ltd.

Kunshan Key Ware has completed its main obligations according to the aforementioned compensation agreement and recognized a land use rights expropriation benefit of CNY\$117,081 thousand (recorded under other income and losses) in March 2023. Additionally, considering the default risk during the period the funds remain outstanding, an expected credit loss of CNY\$14,242 thousand was recognized. As of December 31st 2024 and 2023, the consolidated company has recognized receivables from land expropriation, amounting to CNY\$58,697 thousand and CNY\$97,996 thousand, respectively (recorded under other receivables), after deducting the land expropriation payments already received.

The relocation agreement also includes incentive clauses for the relocation of facilities. In December 2022, Kunshan Key Ware recognized a subsidy incentive of CNY\$16,435 thousand (recorded under other income and losses) for the completed facility relocation, and an expected credit loss of CNY\$714 thousand was recognized considering the default risk during the outstanding period. The full payment was received in June 2023.

- (IV) In November 2022, Kunshan Key Ware entered into a drill machinery equipment sale agreement with an unrelated party, Chongqing Jinzixin Technology Co., Ltd. (Jinzixin company). The equipment delivery was completed in December of the same year. After considering the time value of money related to the sale price, Kunshan Key Ware recognized a gain on the sale of machinery equipment amounting to CNY\$12,916 thousand (recorded under other income and losses). Due to certain equipment not meeting performance expectations, Jinzixin Company returned a portion of the machinery to Kunshan Key Ware in December 2023. Kunshan Key Ware recognized a total impairment loss of CNY\$4,620 thousand for the returned

equipment during that year. In June 2024, both parties re-signed the agreement to address the related matters, and the main terms of the revised contract are as follows:

1. The sale amount of the machinery and equipment was revised to CNY\$9,880 thousand.
 2. The first installment of CNY\$2,900 thousand has been received, and the remaining amount will be paid in 30 installments starting from July 2024.
- (V) In September 2024, Kunshan Key Ware entered into another contract with Jinzixin company to purchase drilling processing equipment totaling CNY\$11,180 thousand, with equipment acceptance completed in December 2024. Among this amount, CNY\$6,980 thousand was offset against the outstanding equipment payment owed by Jinzixin company to Kunshan Key Ware, as agreed upon by both parties.
- (VI) Hubei Laserware Laser signed a factory lease agreement with the lessee and, in April 2024, entered into a contract with an engineering contractor for factory integration, power distribution, and piping works. The total contract amount is CNY\$8,500 thousand. As of December 31, 2024, the consolidated company had paid CNY\$4,250 thousand (recorded as non-current prepayments), with project acceptance planned for March 2025.
- (VII) KEY WARE THAILAND signed a factory lease agreement with the lessee and, in December 2024, entered into a contract with an engineering contractor for factory integration, power distribution, and piping works. The total contract amount is CNY\$9,700 thousand. As of December 31, 2024, the consolidated company had paid CNY\$459 thousand (recorded as non-current prepayments), with project acceptance planned for June 2025.
- (VIII) For the amount of property, plant, and equipment pledged by the consolidated company as collateral for borrowings, please refer to Note XXIX.

XV. Lease Agreements

- (I) Right-of-use assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Carrying Amount of Right-of-Use Assets		
Land	\$ 34,259	\$ 33,395
Buildings	34,540	32,683
Machinery	9,266	14,195
Transportation Equipment	78	903
	<u>\$ 78,143</u>	<u>\$ 81,176</u>

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Addition of Right-of-Use Assets	<u>\$ 21,687</u>	<u>\$ 32,367</u>
Depreciation Expense of Right-of-Use Assets		
Land	\$ 849	\$ 829
Buildings	13,496	14,821
Machinery	5,417	7,471
Transportation Equipment	<u>1,163</u>	<u>1,291</u>
	<u>\$ 20,925</u>	<u>\$ 24,412</u>

(II) Lease liabilities

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Carrying amount of lease liabilities		
Current	<u>\$ 20,961</u>	<u>\$ 18,292</u>
Non-current	<u>\$ 22,939</u>	<u>\$ 30,061</u>

Ranges of discount rates for lease liabilities are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Buildings	1.89% ~ 2.56%	1.89% ~ 2.37%
Machinery	2.37% ~ 3.13%	2.26% ~ 2.37%
Transportation Equipment	1.56% ~ 2.26%	1.56% ~ 2.26%

(III) Major lease activities and terms

The consolidated company leases certain offices, machinery and equipment and vehicles for business use for a period of 2 to 8 years. At the end of the lease term, the lease agreements do not contain renewal or off-take provisions.

(IV) Other lease information

	<u>2024</u>	<u>2023</u>
Short-term lease expenses	<u>\$ 4,977</u>	<u>\$ 3,549</u>
Low-value asset lease expense	<u>\$ 1,679</u>	<u>\$ 451</u>
Total cash flows on lease	<u>(\$ 28,046)</u>	<u>(\$ 28,462)</u>

XVI. Other intangible assets

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Customer Relationships	<u>\$ 14,849</u>	<u>\$ 18,211</u>

The acquisition of Key De Precise resulted in an intangible asset - customer relationship, which was recognized at the fair value of NT\$40,346 thousand as of June 1, 2017, the fair value was recorded on the basis of an appraisal report and amortized on a straight-line basis over 12 years of effectiveness.

The amortization expenses recognized by the consolidated entities amounted to NT\$3,362 thousand for both 2024 and 2023, and were recorded as amortization expenses.

XVII. Loans

(I) Short-term loans

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Unsecured loans</u>		
Credit line loans	\$ 659,569	\$ 481,950
<u>Secured loans</u>		
Bank loans	<u>103,000</u>	<u>71,000</u>
	<u>\$ 762,569</u>	<u>\$ 552,950</u>

The interest rates on revolving bank loans as of December 31, 2024 and 2023 are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
NTD	2.13%~3.14%	2.00%~2.91%
CNY	1.00%~3.30%	3.30%~3.65%
JPY	1.10%~1.77%	1.16%~1.49%

(II) Short-term notes and bills payable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Commercial paper payable	\$ -	\$ 25,000
Deduct: Discount on short-term notes and bills payable	-	<u>21</u>
	<u>\$ -</u>	<u>\$ 24,979</u>

The outstanding short-term bills payable as of the balance sheet date are as follows:

December 31, 2023

<u>Guarantor/ Accepting Institution</u>	<u>Nominal Amount</u>	<u>Discounted Amount</u>	<u>Carrying amount</u>	<u>Interest Rate</u>	<u>Collateral</u>	<u>Carrying amount of collaterals</u>
<u>Commercial paper payable</u>						
Mega Bills	<u>\$ 25,000</u>	<u>\$ 21</u>	<u>\$ 24,979</u>	1.81%	-	<u>\$ -</u>

(III) Long-term loans

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Secured loans</u>		
Bank loans	\$ 478,797	\$ 480,061
Deduct: Classified as due within 1 year	<u>16,676</u>	<u>16,274</u>
	<u>\$ 462,121</u>	<u>\$ 463,787</u>

The consolidated company signed a secured loan agreement with Mega Bank on May 24, 2021, with a total limit of NT\$105,000 thousand. Disbursements were made on July 27, 2021, September 29, 2021, and October 29, 2021, amounting to

NT\$60,000 thousand, NT\$10,000 thousand, and NT\$30,000 thousand respectively. The loan term is 5 years, with monthly repayments calculated using the fixed installment method. The loan interest rate is based on Mega Bank's fixed deposit rate index plus 0.81%.

On January 26, 2022, the consolidated company entered into a secured loan agreement with Shin Kong Bank for a total credit line of NT\$440,000 thousand, and drew down the full amount on March 7, 2022. The loan maturity date was set for January 26, 2025. On March 22, 2024, the company amended the terms of the credit agreement, increasing the credit limit to NT\$450,000 thousand and fully drew down the revised amount. The new loan maturity date is March 6, 2027, with the balance to be repaid at maturity. The loan interest rate is determined through individual negotiations with the bank every three months.

On March 9, 2022, the consolidated company signed a loan agreement with Jiangsu Kunshan Rural Commercial Bank for a total limit of USD\$3,000 thousand, and disbursed USD\$1,000 thousand. The loan term is 5 years, with semi-annual repayments of USD\$125 thousand starting from September 2022. The loan interest rate is based on a 1.55% markup over the one-year London Interbank Offered Rate (LIBOR). The consolidated company fully repaid the loan ahead of schedule in March 2023.

The consolidated company signed a secured loan agreement with First Bank on April 25, 2022, for a total limit of NT\$10,200 thousand. On May 25, 2022, NT\$10,200 thousand was disbursed. The loan term is 5 years, with monthly repayments calculated using the fixed installment method. The loan interest rate is based on a 0.73% markup over First Bank's fixed deposit rate index.

As of December 31, 2024 and December 31, 2023, the effective annual interest rates ranged from 2.42% to 2.63% and from 2.42% to 2.70%, respectively.

Please refer to Note XXIX for details on bank loan guarantees.

XVIII. Corporate bonds payable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
The third unsecured corporate bond issuance in the fiscal year 2021	\$ -	\$ 56,759
Deduct: Classified as current portion due within 1 year	-	(56,759)
	<u>\$ -</u>	<u>\$ -</u>

On April 21, 2021, the Company was approved by the Financial Supervisory

Commission to issue its third domestic unsecured convertible bonds in a total amount of NT\$200,000 thousand, with each bond having a face value of NT\$100 thousand. The coupon rate is 0%, and the bonds have a maturity period of three years. The methods of repayment or conversion are as follows:

1. Upon maturity, our company will redeem the bonds at face value.
2. If certain conditions are met, our company may, from 3 months after the issuance of the corporate bonds up to 40 days before maturity, request redemption of the bonds from bondholders in cash at face value.
3. From 3 months after the issuance of the corporate bonds until maturity, unless suspended for statutory transfer suspension periods, bondholders may request conversion into ordinary shares of our company at the prevailing conversion price. The original conversion price, as stipulated in the issuance and conversion regulations of our company's bonds, was NT\$21. From October 5, 2021, the cash capital increase reference date, the conversion price was adjusted to NT\$19.8.
4. The bondholders may sell back the convertible corporate bonds to the company on the date when 2 years have elapsed after issuance as the redemption reference date. Within 30 days before the redemption reference date, bondholders may request compensation from the company in cash for the bonds held, including interest, at face value.

The convertible corporate bonds consist of both liability and equity components. The equity component is recognized under the capital surplus - subscription rights. The original effective interest rate for the liability component was 2.68%, and the put option is measured at fair value through profit or loss. The information for the liability and equity components is as follows:

Issuance proceeds (less transaction costs of NT\$4,634 thousand)	\$ 195,366
Equity components	(8,556)
Repurchase option	(<u>1,140</u>)
Liability component on issuance date (excluding transaction costs of \$4,456 thousand amortized to liability)	185,670
	(<u>197,243</u>)
Interest calculated at an effective rate of 2.68%	<u>11,573</u>
Liability components as of December 31, 2024	<u>\$ -</u>
In May 2023, holders of the Company's second domestic unsecured convertible bonds	

exercised their put option to redeem bonds with a face value of NT\$142,700 thousand (including interest compensation of NT\$714 thousand), resulting in a bond redemption loss of NT\$431 thousand (recognized under other gains and losses). In addition, the capital surplus—equity component of convertible bonds—warrants was reclassified to capital surplus—expired stock warrants in the amount of NT\$6,104 thousand. The remaining face value of NT\$57,300 thousand was fully redeemed at maturity in May 2024.

XIX. Other payables

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Salaries and insurance payable	\$ 22,677	\$ 37,869
Labor service fees payable	6,097	6,471
Utilities payable	7,188	4,709
Processing fees payable	4,830	5,428
Equipment payables	84	2,789
Tax	1,119	-
Others	<u>24,104</u>	<u>46,332</u>
	<u>\$ 66,099</u>	<u>\$ 103,598</u>

XX. Post-retirement Benefit Plan

(I) Defined contribution plans — Taiwan

The company adopts a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. According to the Labor Pension Act, the Company makes monthly contributions to employees' individual pension accounts at 6% of their monthly salaries.

The amount to be appropriated by the consolidated company in accordance with the defined contribution plan for 2024 and 2023 has been recognized in the consolidated statements of income as expenses totaling NT\$5,927 thousand and NT\$5,460 thousand, respectively.

(II) Defined contribution plans — Mainland China

Employees of the consolidated company's subsidiaries in Mainland China are required to contribute a certain percentage of their monthly salaries to the pension insurance fund (recorded as employee insurance expense) in accordance with the pension insurance system stipulated by the government of the People's Republic of China, and the contribution rate is 18%, which is deposited in a separate account for each employee. The government manages and coordinates the monthly pension arrangements for employees, and the subsidiaries in Mainland China have no obligation other than to make monthly contributions.

The amount to be appropriated by the subsidiaries in Mainland China in accordance with the defined contribution plan for 2024 and 2023 has been recognized in the consolidated statements of income as expenses totaling NT\$6,006 thousand and NT\$5,614 thousand, respectively.

(III) Defined benefit plans

The pension system adopted by the Company under the "Labor Standards Act" is a state-managed defined benefit plan. The employee's pension is calculated based on the length of service and the average salary for the six months before the approved retirement date. The Company allocates 2% of employees' monthly salaries respectively to the Supervisory Committee of Labor Retirement Reserve's dedicated account in the Bank of Taiwan as pension reserve funds. If the estimated balance of the special account before the end of the year is not enough to pay for the workers who are expected to reach retirement in the following year, the difference shall be withdrawn in one lump sum by the end of March of the following year. The Bureau of Labor Funds, Ministry of Labor administers the account. The Company has no right over its investment and administration strategies.

The amount included in the consolidated balance sheet for obligations arising from the company's defined benefit plans are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Present value of defined benefit obligations already recognized	(\$ 32,364)	(\$ 42,373)
Fair value of plan assets	<u>27,704</u>	<u>24,520</u>
Accrued balance	(<u>4,660</u>)	(<u>17,853</u>)
Pension payable (recognized as other non-current liabilities)	(<u>\$ 4,660</u>)	(<u>\$ 17,853</u>)

The changes in net defined benefit (liabilities) assets are as follows:

	<u>Present value of defined benefit obligation</u>	<u>Accrued balance</u>	<u>Net defined benefit (liabilities) assets</u>
January 1, 2023	(<u>\$ 36,640</u>)	<u>\$ 24,430</u>	(<u>\$ 12,210</u>)
Service costs for the current period	(3,077)	-	(3,077)
Interest (expenses) income	(<u>549</u>)	<u>366</u>	(<u>183</u>)
Recognized in profit or loss	(<u>3,626</u>)	<u>366</u>	(<u>3,260</u>)

(Continued on the next page)

(Continued from the previous page)

	Present value of defined benefit obligation	Accrued balance	Net defined benefit (liabilities) assets
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	-	41	41
Actuarial losses - changes in demographic assumptions	(1,479)	-	(1,479)
Actuarial losses - changes in financial assumptions	(8,160)	-	(8,160)
Actuarial gains - experience adjustment	<u>6,438</u>	<u>-</u>	<u>6,438</u>
Recognized in other comprehensive income	(<u>3,201</u>)	<u>41</u>	(<u>3,160</u>)
Contribution by the employer	-	777	777
Benefit paid	<u>1,094</u>	(<u>1,094</u>)	<u>-</u>
December 31, 2023	(<u>\$ 42,373</u>)	<u>\$ 24,520</u>	(<u>\$ 17,853</u>)
January 1, 2024	(<u>\$ 42,373</u>)	<u>\$ 24,520</u>	(<u>\$ 17,853</u>)
Service costs for the current period	(4,733)	-	(4,733)
Interest (expenses) income	(<u>619</u>)	<u>358</u>	(<u>261</u>)
Recognized in profit or loss	(<u>5,352</u>)	<u>358</u>	(<u>4,994</u>)
Remeasurements			
Planned asset remuneration (excluding amounts included in net interest)	\$ -	\$ 2,121	\$ 2,121
Actuarial losses - changes in demographic assumptions	(1,705)	-	(1,705)
Actuarial losses - changes in financial assumptions	1,796	-	1,796
Actuarial gains - experience adjustment	<u>15,270</u>	<u>-</u>	<u>15,270</u>
Recognized in other comprehensive income	<u>15,361</u>	<u>2,121</u>	<u>17,482</u>
Contribution by the employer	-	705	705
Benefit paid	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2024	(<u>\$ 32,364</u>)	<u>\$ 27,704</u>	(<u>\$ 4,660</u>)

The Company has the following risks owing to the implementation of the pension system under the Labor Standards Act:

1. Investment risks: The Bureau of Labor Funds, Ministry of Labor invests the labor pension fund in equity securities, debt securities, and bank deposits in domestic (foreign) banks through independent implementation and commissioned operations. However, the distributed amount from the plan assets received by the Company shall not be lower than interest on a two-year time deposit at a local bank.
2. Interest rate risk: The decrease in the interest rate will increase the present value of defined benefit obligations, but the yield on debt investment of plan assets will also increase accordingly, which will partially offset the impact on net defined benefit liabilities.
3. Salary risk: The present value of defined benefit obligations is calculated with reference to future salaries of plan members. Therefore, the salary increase of plan members will increase the present value of the defined benefit obligation.

The present value of the Company's defined benefit obligations is calculated by certified actuaries and the major assumptions on the assessment date are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate	1.73%	1.46%
Expected salary increase rate	4.00%	4.00%

If changes occur in major actuarial assumptions with other assumptions unchanged, the present value of defined benefit obligations will increase (decrease) as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate		
Increase by 0.5%	(<u>\$ 3,131</u>)	(<u>\$ 4,383</u>)
Decrease by 0.5%	<u>\$ 3,554</u>	<u>\$ 4,995</u>
Expected salary increase rate		
Increase by 0.5%	<u>\$ 3,454</u>	<u>\$ 4,840</u>
Decrease by 0.5%	(<u>\$ 3,081</u>)	(<u>\$ 4,302</u>)

As actuarial assumptions may be related to one another, the likelihood of fluctuation in a single assumption is not high. Therefore, the aforementioned sensitivity analysis may not reflect the actual fluctuations of the present value of defined benefit obligations.

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Expected amount of contribution within 1 year	<u>\$ 704</u>	<u>\$ 776</u>
Average duration of defined benefit obligations	21 years	22 years

XXI. Equity

(I) Capital stock

Common stock

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Authorized capital	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Authorized shares (in thousands of shares)	<u>250,000</u>	<u>250,000</u>
Issued capital	<u>\$ 1,924,485</u>	<u>\$ 1,923,135</u>
Issued shares (in thousands of shares)	<u>192,448</u>	<u>192,313</u>
Publicly issued common stock	\$ 1,751,133	\$ 1,749,783
Privately placed common stock	<u>173,352</u>	<u>173,352</u>
Issued capital	<u>\$ 1,924,485</u>	<u>\$ 1,923,135</u>

Each issued common share has a par value of NT\$10, enjoys one voting right per share, and has the right to receive dividends.

In 2024, the company issued stock options for employees amounting to 1,566 thousand, resulting in the issuance of 135 thousand common shares, with a subscription price of 11.6 per share. The registration for the change was completed on November 26, 2024.

In 2023, the company issued stock options for employees amounting to 2,340 thousand, resulting in the issuance of 200 thousand common shares, with a subscription price of 11.7 per share. The registration for the change was completed on October 25, 2023.

At the company's shareholders' annual meeting on June 16, 2023, it was resolved to capitalize earnings and issue 2,185 thousand new shares. The aforementioned free issuance of new shares was approved and became effective on August 1, 2023, by the Financial Supervisory Commission's Securities and Futures Bureau. The capital increase record date was set for September 18, 2023.

(II) Capital surplus

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>May be used to offset losses, distribute cash, or allocate to capital</u> (Note)		
Stock Issuance Premium	\$ 65,574	\$ 65,212
Expired Employee Stock Options	559	559
Expired Convertible Bond Stock Options	8,556	6,104

(Continued on the next page)

(Continued from the previous page)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Not to be Used for Any Purpose</u>		
Employee Stock Options	6,006	6,152
Convertible Bond Stock Options	-	2,452
	<u>\$ 80,695</u>	<u>\$ 80,479</u>

Note: This type of capital reserve can be used to offset losses. Additionally, if the company has no losses, it can be used to distribute cash or convert to share capital. However, when converting to share capital, it is limited to a certain percentage of the paid-in capital each year.

(III) Retained earnings and dividend policy

In accordance with the provisions of the Company's earnings distribution policy, if the Company has a net profit for the current year, it shall first use the profit to pay income taxes and make up for any accumulated losses, and then set aside 10% as a legal capital reserve. Any excessive balance may be reserved or transferred to be a special reserve pursuant to relevant laws. Any remaining balance in retained earnings may be appropriated for dividends in accordance with a proposal for appropriation of earnings as approved by the Board of Directors and submit it to the shareholders' meeting for distribution of shareholder dividends. For the Company's policy on employee and director remuneration distribution in the Articles of Incorporation, please refer to Note XXII.

Since the Company's business is growing, the dividend distribution policy is based on the Company's current and future investment environment, capital requirements, domestic and international competition and capital budget, taking into account shareholders' rights and interests, balanced dividends and the Company's long-term financial planning, etc. The Board of Directors prepares the distribution plan annually in accordance with the law and submits it to the shareholders' meeting. For the current year's stock dividends, cash dividends shall be distributed at a rate of not less than 10% of the total dividends distributed.

The legal reserve shall be appropriated until the remaining balance reaches the Company's total paid-in capital. The legal reserve may be used to make up for losses. When the Company has no loss, the portion of the legal reserve exceeding 25% of the total paid-in capital may be appropriated in the form of cash, in addition to being

transferred to share capital.

The Company appropriates or reserves special reserve in accordance with the Official Letter No. 1010012865, Official Letter No. 1010047490, Official Letter No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

Our company held annual shareholders' meetings on June 21, 2024, and June 16, 2023, where the following profit distribution plans for the years 2023 and 2022 were respectively approved:

	<u>Distribution of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Legal reserve	\$ 149	\$ 745		
Special reserve	1,344	(34,141)		
Cash dividends	-	18,993	\$ -	\$ 0.100
Stock Dividends	-	21,852	-	0.115

On March 7, 2025, the Board of Directors proposed the distribution of earnings for the year 2024 as follows:

	<u>2024</u>
Legal surplus reserve	<u>\$ 1,251</u>
Special surplus reserve	<u>(\$ 1,344)</u>
Cash dividends	<u>\$ 12,601</u>
Stock Dividends	<u>\$ -</u>
Cash dividend per share (in dollars)	\$ 0.065
Stock dividend per share (in dollars)	\$ -

The profit distribution plan for the year 2024 is yet to be decided, and is expected to be resolved at the shareholders' meeting scheduled for June 19, 2025.

(IV) Special reserve

At the time of the Company's initial adoption of IFRS accounting standards, the amount of NT\$158,644 thousand recorded as cumulative translation adjustments was transferred to retained earnings, and an equivalent amount was appropriated as a special earnings reserve.

The special earnings reserve appropriated for the exchange differences arising from the translation of financial statements of foreign operations (including subsidiaries) is reversed based on the disposal proportion by the consolidated company, and fully reversed when the consolidated company loses significant influence. When distributing earnings, any shortfall between the net amount of other equity deductions recorded at the end of the reporting period and the special earnings reserve appropriated at the time

of initial IFRSs adoption shall be supplemented to the special earnings reserve. Subsequently, when there is a reversal of other equity deduction balances, the reversed portion may be distributed as earnings.

(V) Other equity items

1. Exchange differences on translation of financial statements of foreign operations

	<u>2024</u>	<u>2023</u>
Beginning balance	(\$ 114,809)	(\$ 90,493)
Incurring this year		
Exchange differences of foreign operating entities	90,236	(30,395)
Income taxes effect	(18,047)	<u>6,079</u>
Ending balance	<u>(\$ 42,620)</u>	<u>(\$ 114,809)</u>

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

	<u>2024</u>	<u>2023</u>
Beginning balance	(\$ 52,157)	(\$ 17,099)
Incurring this year		
Unrealized gain or loss - equity instruments	(29,679)	(42,889)
Cumulative gains or losses from the disposal of equity instruments transferred to retained earnings	<u>-</u>	<u>7,831</u>
Ending balance	<u>(\$ 81,836)</u>	<u>(\$ 52,157)</u>

XXII. Net income of continuing operations

Net income of continuing operations includes the following items:

(I) Interest income

	<u>2024</u>	<u>2023</u>
Bank deposits	\$ 1,843	\$ 2,461
Financial assets measured at amortized cost	<u>30,782</u>	<u>19,074</u>
	<u>\$ 32,625</u>	<u>\$ 21,535</u>

(II) Other income

	<u>2024</u>	<u>2023</u>
Rental income	\$ 441	\$ 424
Dividend income	<u>1,869</u>	<u>1,342</u>
	<u>\$ 2,310</u>	<u>\$ 1,766</u>

(III) Other gains and losses

	<u>2024</u>	<u>2023</u>
Financial instruments measured at fair value through profit or loss (loss/gain)	(\$ 55,654)	\$ 5,904
Gain from expropriation of land use rights	-	514,185
Loss from disposal of real estate, plants, and equipment	(2,287)	(12,960)
Reversal gain (impairment loss) on property, plant, and equipment	25,009	(86,423)
Impairment loss on equipment held for sale	-	(44,333)
Net foreign exchange gain	5,003	8,474
Others	(14,165)	(1,462)
	<u>(\$ 42,094)</u>	<u>\$ 383,385</u>

(IV) Finance costs

	<u>2024</u>	<u>2023</u>
Interest on bank loans	\$ 29,334	\$ 27,760
Finance costs of corporate bonds payable	541	2,791
Interest on lease liabilities	935	745
	<u>\$ 30,810</u>	<u>\$ 31,296</u>

(V) Employee benefits and depreciation and amortization expenses

	<u>2024</u>			<u>2023</u>		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expenses	\$ 151,240	\$ 49,032	\$ 200,272	\$ 158,984	\$ 47,258	\$ 206,242
Employee insurance expenses	18,960	4,096	23,056	18,400	3,942	22,342
Pension expenses	4,224	6,697	10,921	4,341	4,379	8,720
Other employee benefits	6,094	385	6,479	6,632	572	7,204
Depreciation expenses	120,887	3,177	124,064	143,996	3,647	147,643
Amortization expenses	3,631	4,478	8,109	2,366	4,492	6,858

(VI) Employee compensation and director remuneration

According to the company's Articles of Association, employee and director remuneration is allocated based on pre-tax profits for the year, excluding amounts distributed as employee and director compensation, with 1% to 10% for employee remuneration and no more than 1% for director remuneration. However, if the company has accumulated losses, these must be offset first.

For the year 2024, the company had a pre-tax net loss, so no employee remuneration was estimated. For the year 2023, employee remuneration was estimated at 1%,

amounting to 195 thousand.

If there are any changes to the amounts after the approval date of the annual consolidated financial report, they will be treated according to accounting estimates and adjusted in the next year.

The actual amounts of employee remuneration allocated in 2023 and 2022 did not differ from the amounts recognized in the consolidated financial reports for those years.

For information on employee and director remuneration as resolved by the company's board of directors, please refer to the "Market Observation Post System" on the Taiwan Stock Exchange website.

XXIII. Income tax on continuing operations

(I) Major components of income tax expenses are as follows:

	<u>2024</u>	<u>2023</u>
Current income tax		
Incurred this year	\$ 53,522	\$ 46,833
Adjustments from previous years	(<u>371</u>)	<u>231</u>
	53,151	47,064
Deferred income tax		
Incurred this year	(53,664)	96,389
Adjustments from previous years	<u>116</u>	<u>229</u>
Income tax (benefit) expense recognized in profit or loss	(<u>\$ 397</u>)	<u>\$ 143,682</u>

The reconciliation between accounting income and income tax (benefit) expense is as follows:

	<u>2024</u>	<u>2023</u>
Net income of continuing operations before tax	<u>\$ 654</u>	<u>\$ 148,621</u>
Income tax expenses calculated at the statutory rate	\$ 6,777	\$ 45,969
Fees that cannot be deducted from taxes	867	13,942
Tax-exempt income	(2,301)	(2,951)
Unrecognized loss carryforward	11,585	8,631
Unrecognized deductible temporary differences	(17,070)	77,631
Prior year adjustments	(<u>255</u>)	<u>460</u>
Income tax (benefit) expense recognized in profit or loss	(<u>\$ 397</u>)	<u>\$ 143,862</u>

(II) Income tax recognized in other comprehensive income

	<u>2024</u>	<u>2023</u>
<u>Deferred income tax</u>		
Incurring this year		
Exchange differences of foreign operations	(\$ 18,047)	\$ 6,079
Remeasurements of defined benefit plans	(<u>3,497</u>)	<u>632</u>
Income tax gain (expense) recognized in other comprehensive income	(<u>\$ 21,544</u>)	<u>\$ 6,711</u>

(III) Deferred income tax assets and liabilities

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

2024

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
<u>Deferred income tax assets</u>					
Temporary differences					
Allowance for losses	\$ 1,792	(\$ 677)	\$ -	\$ 104	\$ 1,219
Loss carryforward	18,642	(4,187)	-	451	14,906
Unrealized impairment loss	26,259	(8,178)	-	357	18,438
Inventory write-down	13,035	663	-	599	14,297
Other	<u>22,365</u>	<u>10,717</u>	<u>(3,497)</u>	<u>2</u>	<u>29,587</u>
	<u>\$ 82,093</u>	<u>(\$ 1,662)</u>	<u>(\$ 3,497)</u>	<u>\$ 1,513</u>	<u>\$ 78,447</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Exchange differences on translation of foreign operations	(\$ 3,791)	\$ -	(\$ 18,047)	\$ -	(\$ 21,838)
Relocation gains	(103,867)	40,613	-	(5,065)	(68,319)
Others	<u>(13,998)</u>	<u>14,597</u>	<u>-</u>	<u>(599)</u>	<u>-</u>
	<u>(\$ 121,656)</u>	<u>\$ 55,210</u>	<u>(\$ 18,047)</u>	<u>(\$ 5,664)</u>	<u>(\$ 90,157)</u>

2023

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Exchange Differences	Ending balance
<u>Deferred income tax assets</u>					
Temporary differences					
Allowance for losses	\$ 65,726	(\$ 63,906)	\$ -	(\$ 28)	\$ 1,792
Loss carryforward	17,188	1,582	-	(128)	18,642
Unrealized impairment loss	-	26,389	-	(130)	26,259
Inventory write-down	3,670	9,569	-	(204)	13,035
Other	<u>4,365</u>	<u>17,370</u>	<u>632</u>	<u>(2)</u>	<u>22,365</u>
	<u>\$ 90,949</u>	<u>(\$ 8,996)</u>	<u>\$ 632</u>	<u>(\$ 492)</u>	<u>\$ 82,093</u>
<u>Deferred income tax liabilities</u>					
Temporary differences					
Exchange differences on translation of foreign operations	(\$ 9,870)	\$ -	\$ 6,079	\$ -	(\$ 3,791)
Relocation gains	(18,118)	(87,622)	-	1,873	(103,867)
Others	<u>(14,238)</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>(13,998)</u>
	<u>(\$ 42,226)</u>	<u>(\$ 87,622)</u>	<u>\$ 6,079</u>	<u>\$ 2,113</u>	<u>(\$ 121,656)</u>

(IV) Deductible temporary differences and unused loss carryforwards not recognized as deferred tax assets in the consolidated balance sheet

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Loss carryforward		
Expires in 2031	\$ 13,253	\$ 13,253
Expires in 2032	15,725	6,290
Expires in 2034	<u>54,717</u>	<u>-</u>
	<u>\$ 83,695</u>	<u>\$ 19,543</u>
Deductible temporary differences		
Allowance for losses	\$192,066	\$162,685
Others	<u>2,766</u>	<u>2,766</u>
	<u>\$194,832</u>	<u>\$165,451</u>

(V) Total amount of temporary differences related to investments for which deferred income tax liabilities have not been recognized

As of December 31, 2024 and 2023, the taxable temporary differences related to investments in subsidiaries for which deferred income tax liabilities have not been recognized amounted to NT\$1,046,174 thousand and NT\$903,080 thousand, respectively.

(VI) Income tax assessment

The income tax filings of the Company, its subsidiaries Key De Precise Industries Co., Ltd. and Jia Chi Co., Ltd. have been assessed and approved by the tax authorities up to the year 2022.

XXIV. Earnings (Loss) per Share

	Unit: NT\$ Per Share	
	<u>2024</u>	<u>2023</u>
Basic earnings (loss) per share		
From continuing operations	(<u>\$ 0.01</u>)	<u>\$ 0.06</u>
Diluted earnings (loss) per share		
From continuing operations	(<u>\$ 0.01</u>)	<u>\$ 0.06</u>

Net earnings (loss) and weighted average number of common shares used for calculation of earnings (loss) per share are as follows:

Net Income for the period

	<u>2024</u>	<u>2023</u>
Net income used for calculation of basic earnings (loss) per share	(<u>\$ 1,477</u>)	<u>\$ 11,852</u>
Net income used for calculation of diluted earnings (loss) per share	(<u>\$ 1,477</u>)	<u>\$ 11,852</u>

<u>Number of shares</u>	Unit: Thousand shares	
	<u>2024</u>	<u>2023</u>
Weighted average number of common shares used for calculation of basic earnings per share	192,383	192,214
Effect of potentially dilutive common shares:		
Employees stock option	<u>-</u>	<u>19</u>
Employee compensation	<u>192,383</u>	<u>192,233</u>

If the consolidated company chooses to distribute employee compensation in the form of stocks or cash, when calculating diluted earnings per share, it is assumed that employee compensation will be distributed in the form of stocks. The weighted average number of shares outstanding will be adjusted to include the potential common shares that have a dilutive effect. When calculating diluted earnings per share before the decision to distribute employee compensation shares in the following year, the dilutive effect of such potential common shares will also be considered.

As the conversion of the convertible bonds outstanding during 2023, as well as employee stock options, would have had an anti-dilutive effect—since their exercise prices were higher than the average market price of the shares from January 1 to December 31, 2023—they were excluded from the calculation of diluted earnings per share.

XXV. Share-based payment arrangements

The company granted employee stock options of 1,700 thousand units and 985 thousand units in November 2019 and February 2021, respectively, with each unit entitling the holder to purchase 1,000 common shares. The recipients include employees of the company and its subsidiaries who meet certain conditions. The term of the stock options is 6 years, and from the second anniversary of the issuance date, the option holders can exercise a certain percentage of the granted stock options. The exercise price of the stock options is the closing price of the company's common stock on the issuance date. After the issuance, if there are changes to the company's common stock, the exercise price will be adjusted according to a specified formula.

Here is the relevant information regarding the issued employee stock options:

Employees stock option	2024		2023	
	Unit (Thousand)	Weighted average exercise price (NT\$)	Unit (Thousand)	Weighted average exercise price (NT\$)
Outstanding at the beginning of the year	2,335	\$ 13.6	2,535	\$13.18
Exercised during the year	(135)	11.6	(200)	11.70
Outstanding at the end of the year	<u>2,200</u>	13.3	<u>2,335</u>	13.30
Exercisable at the end of the year	<u>2,200</u>		<u>1,843</u>	

The company uses the Black-Scholes option pricing model to calculate its fair value, and the input values used in the pricing model on the grant date are as follows:

	Employee stock options
Grant date stock price	\$16.85 per share
Exercise price	\$14.6 per share
Expected volatility	44.89%
Expected life	25 days
Expected dividend yield	3.41%
Risk-free interest rate	0.22%
Fair value of stock options	\$2.3 per share

XXVI. Capital Risk Management

The consolidated company conducts capital management to ensure that all entities within the group are able to operate as a going concern, while optimizing the balance between debt and equity to maximize shareholder returns. The capital structure of the consolidated company consists of equity attributable to the owners of the parent company, including share capital, capital surplus, retained earnings, and other equity items.

The consolidated company's key management reviews the capital structure on a quarterly basis, taking into account the cost and associated risks of each type of capital. Based on the recommendations of key management, the consolidated company seeks to balance its overall capital structure through measures such as dividend payments, issuing new shares, repurchasing shares, issuing new debt, or repaying existing debt.

XXVII. Financial instruments

(I) Information on fair value - financial instruments not measured at fair value

In addition to the items listed in the table below, the management of the company believes that the carrying amounts of financial assets and financial liabilities measured at amortized cost approximate their fair values:

	December 31, 2024		December 31, 2023	
	Carrying Amount	Level 3 Fair Value	Carrying Amount	Level 3 Fair Value
<u>Financial Liabilities</u>				
Accounts Payable				
Bonds	\$ -	\$ -	\$ 56,759	\$ 56,910

The fair value measurement of the Level 3 financial instruments mentioned above is determined using a binary tree convertible bond pricing model. This model takes into account factors such as the remaining term of the bond, the price and volatility of the underlying stock of the convertible bond, the conversion price, the risk-free interest rate, the risk discount rate, and the liquidity risk of the convertible bond.

(II) Information on fair value - financial instruments measured at fair value on a recurring basis

1. Fair value level

	December 31, 2024			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Non-derivative financial assets				
— Domestic OTC stocks	\$ -	\$ -	\$ 11,720	\$ 11,720
— Domestic listed (OTC) stocks	67,796	-	-	67,796
— Foreign listed stocks	18,298	-	-	18,298
— Renminbi financial products	-	-	22,029	22,029
Total	<u>\$ 86,094</u>	<u>\$ -</u>	<u>\$ 33,749</u>	<u>\$ 119,843</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
— Domestic OTC-listed stocks	\$ 256,449	\$ -	\$ -	\$ 256,449
— Domestic and foreign unlisted (OTC) stocks	-	-	36,501	36,501
Total	<u>\$ 256,449</u>	<u>\$ -</u>	<u>\$ 36,501</u>	<u>\$ 292,950</u>

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				

(Continued on the next page)

(Continued from the previous page)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-derivative financial assets				
– Domestic OTC stocks	\$ -	\$ -	\$ 12,954	\$ 12,954
– Domestic listed (OTC) stocks	20,095	-	-	20,095
– Foreign listed stocks	10,022	-	-	10,022
– Renminbi financial products	-	-	67,195	67,195
Total	<u>\$ 30,117</u>	<u>\$ -</u>	<u>\$ 80,149</u>	<u>\$ 110,266</u>
<u>Financial assets at fair value through other comprehensive income</u>				
Investments in equity instruments				
– Domestic OTC-listed stocks	\$ 282,220	\$ -	\$ -	\$ 282,220
– Domestic and foreign unlisted (OTC) stocks	-	-	40,409	40,409
Total	<u>\$ 282,220</u>	<u>\$ -</u>	<u>\$ 40,409</u>	<u>\$ 322,629</u>

In 2024 and 2023, there was no transfer between Level 1 and Level 2 fair value measurement.

2. Reconciliation of financial instruments measured at fair value in Level 3

Financial Instruments at Fair Value through Profit or Loss

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 80,149	\$ 29,976
Recognized in profit or loss (other gains and losses)	(103)	2,745
Purchase	405,594	147,397
Disposal/Settlement	(455,387)	(99,583)
Effect of exchange rate changes	<u>3,496</u>	<u>(386)</u>
Ending balance	<u>\$ 33,749</u>	<u>\$ 80,149</u>

Financial assets at fair value through other comprehensive income

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 40,409	\$ 52,765
Settlement	-	(8,000)
Recognized in other comprehensive income	<u>(3,908)</u>	<u>(4,356)</u>
Ending balance	<u>\$ 36,501</u>	<u>\$ 40,409</u>

3. Valuation techniques and inputs of Level 3 fair value measurement

<u>Category of Financial Instruments</u>	<u>Valuation Technique and Inputs</u>
Renminbi financial products	The financial products purchased by the consolidated company are measured using valuation techniques based on counterparty quotations and significant unobservable inputs to calculate the expected returns from such investments.
Domestic and foreign unlisted (OTC) and emerging stocks	The total value of the individual assets and individual liabilities covered by the valuation targets is evaluated on a balance sheet basis, and the market approach is appropriately applied to the nature of the individual valuation targets, taking into account the liquidity discount and the control discount, to reflect the overall value of the enterprise or business.
Domestic Over-the-Counter Stocks	Valuation is conducted using the OTC price adjustment method. These values have already taken into account liquidity discounts.
Convertible bond put option	Binary tree convertible bond valuation model: Consider the duration of the bonds, the stock price of the underlying convertible bonds and its fluctuation, the conversion price, the risk-free interest rate, the risk discount rate and the liquidity risk of the convertible bonds.

If the valuation parameters of the company decrease by 5%, the change in other comprehensive income for the years 2024 and 2023, attributable to the fair value fluctuations of equity instrument investments classified as Level 3, will decrease by 1,209 thousand and 1,347 thousand, respectively.

(III) Category of financial instruments

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 119,843	\$ 110,266
Financial assets at fair value through other comprehensive income	292,950	322,629
Financial assets at amortized cost (Note 1)	971,381	887,848
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	1,447,344	1,279,905

Note 1: The balance includes financial assets measured at amortized cost, such as cash and cash equivalents, notes receivable, accounts receivable, accounts receivable-related parties, other receivables, certain other current assets, and refundable deposits.

Note 2: The balance includes financial liabilities measured at amortized cost, such as short-term borrowings, short-term notes payable, notes and accounts payable, accounts payable-related parties, certain other payables, other payables-related parties, certain other current liabilities, corporate bonds payable, and long-term borrowings.

(IV) Financial risk management objectives and policies

The financial risk management objective of the consolidated company is to manage the exchange rate risk, credit risk and liquidity risk associated with operating activities. To reduce the related financial risks, the consolidated company is committed to identifying, evaluating and hedging market uncertainties in order to reduce the potential adverse effects of market changes on the company's financial performance.

The significant financial activities of the consolidated company are reviewed by the Board of Directors in accordance with the relevant regulations and internal control system. During the implementation of the financial plan, the consolidated company must comply with the relevant financial operating procedures regarding the overall financial risk management and allocation of authority and responsibility.

1. Market risk

The main financial risk the consolidated company is exposed in the business activities are foreign exchange risk.

(1) Foreign exchange risk

The carrying amounts of the consolidated company's monetary assets and monetary liabilities denominated in non-functional currencies as of the balance sheet date (including monetary items denominated in non-functional currencies that have been written off in the consolidated financial statements) are shown in Note XXX.

The consolidated company is mainly affected by the fluctuation of the exchange rate between the USD and the JPY and has significant amounts of assets and liabilities due to foreign currency transactions. Although the gains and losses on foreign currency assets and liabilities are offset by

changes in market exchange rates, the amount of foreign currency assets and foreign currency liabilities of the consolidated company are significantly different and therefore subject to foreign exchange risk. If the U.S. dollar depreciates 3% against the New Taiwan dollar, the pre-tax net profit for the years 2024 and 2023 will decrease by NT\$2,257 thousand and NT\$27,214 thousand, respectively. When the Japanese Yen appreciates by 3% against the New Taiwan Dollar, the pre-tax net profit for the years 2024 and 2023 will decrease by NT\$1,132 thousand and NT\$654 thousand, respectively.

(2) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in market conditions. The carrying amounts of financial liabilities of the consolidated company exposed to interest rate risk on the balance sheet date are as follows :

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash flow interest rate risk		
— Financial liabilities	\$ 68,412	\$ 178,546
Cash flow interest rate risk		
— Financial liabilities	1,176,338	967,983

The following sensitivity analysis is based on the calculation of interest rate risk on floating rate liabilities as of the balance sheet date, assuming that the amount of liabilities outstanding at the balance sheet date is outstanding at the reporting date.

If interest rates increase by 1%, with all other variables held constant, the consolidated company's net income before income taxes would decrease by NT\$11,763 thousand and NT\$9,680 thousand in 2024 and 2023, respectively.

(3) Equity securities price risk

Market risk of equity securities includes individual risk arising from changes in the market price of individual equity securities and general market risk arising from changes in the overall market price.

If the consolidated company's equity price decreases by 10%, the net income before income tax for 2024 and 2023 would decrease by NT\$9,781 thousand and NT\$3,305 thousand, respectively, due to the change in fair value of financial assets measured at fair value through profit or loss. Other comprehensive income in 2024 and 2023 would decrease by NT\$29,295 thousand and NT\$32,263 thousand, respectively, due to the change in fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to risk that causes the financial loss of the Group due to a counterparty's delay in performing contractual obligations. As of the balance sheet date, the Group's maximum exposure to credit risk (without considering collaterals or other credit enhancement instruments and the maximum amount of irrevocable exposure) that could result in financial loss due to the counter-parties' failure to perform their obligations and the consolidated company's provision of financial guarantees was mainly from the carrying amount of financial assets recognized in the consolidated balance sheet.

The consolidated company's policy is to transact only with creditworthy counterparties and to obtain adequate guarantees, if necessary, to mitigate the risk of financial losses arising from defaults.

To minimize credit risk, the consolidated company reviews the recoverable amount of each individual receivable on the balance sheet date to ensure that adequate allowances are made for possible irrecoverable amounts. As such, the Company's management concludes that the credit risk has been significantly reduced.

The counter-parties to the liquidity and derivative financial instruments are banks with high credit ratings from international credit rating agencies, so the credit risk is not significant.

Accounts receivable are due from a wide range of customers in various geographic locations. The consolidated company continuously evaluates its accounts receivable customers' financial condition, credit rating agencies, the consolidated company's internal credit rating, historical transaction history, and other factors that may affect customers' ability to pay. The consolidated company also carries trade credit insurance to reduce the credit risk of specific

customers. As of December 31, 2024 and 2023, the credit enhancement of accounts receivable against certain Mainland China amounted to NT\$93,573 thousand and NT\$65,506 thousand, respectively.

As of December 31, 2024 and 2023, the percentages of accounts receivable from the top ten customers to the consolidated company's accounts receivable balances were 43% and 56%, respectively. The credit concentration risk of the remaining accounts receivable was relatively insignificant.

3. Liquidity risk

The consolidated company manages and maintains an adequate level of cash and cash equivalents to support operations and mitigate the impact of cash flow fluctuations. The management of the consolidated company monitors the utilization of bank credit facilities and ensures compliance with the terms of loan agreements.

Bank loans are an important source of liquidity for the consolidated company. As of December 31, 2024 and 2023, the consolidated company had unused short-term banking facilities of NT\$436,912 thousand and NT\$627,628 thousand, respectively.

Liquidity and interest rate risk tables

The following table details the analysis of the remaining contractual maturities of the consolidated company's non-derivative financial liabilities with contractual repayment periods, which are based on the earliest possible date on which the consolidated company could be required to make repayment, and is prepared using the undiscounted cash flows of the financial liabilities, which include cash flows of interest and principal.

The maturity analysis of the consolidated company's non-derivative financial liabilities is prepared based on the contractual repayment dates.

December 31, 2024

	<u>Less than 1 year</u>	<u>1 to 5 year(s)</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 762,569	\$ -	\$ -
Notes and accounts payable	120,145	-	-
Accounts payable - related parties	29,126	-	-

(Continued on the next page)

(Continued from the previous page)

	Less than 1 year	1 to 5 year(s)	Total
Other payables	66,099		
Other payables - related parties	79	-	-
Lease liabilities	22,279	22,259	-
Other current liabilities	7,367	-	-
Long-term loans	16,676	462,121	-

December 31, 2023

	Less than 1 year	1 to 5 year(s)	Total
<u>Non-derivative financial liabilities</u>			
Short-term loans	\$ 552,950	\$ -	\$ -
Short-term notes and bills payable	25,000	-	-
Notes and accounts payables	116,242	-	-
Accounts payable - related parties	22,721	-	-
Other payables	103,598	-	-
Other payables - related parties	165	-	-
Lease liabilities	20,093	32,238	960
Other current liabilities	7,084	-	-
Long-term loans	16,274	463,787	-
Corporate bonds payable	57,300	-	-

(V) Information on financial asset transfers

The consolidated company transferred some of its banker's acceptances receivable in Mainland China to suppliers for payment of accounts payable. Since almost all risks and rewards of these instruments were transferred, the consolidated company excluded the transferred bank's acceptance bill receivable and the corresponding accounts payable. However, if the derecognized bank's acceptance bills are not redeemed at maturity, the suppliers still have the right to demand the consolidated company for settlement, so the consolidated company continues to participate in these bills.

The consolidated company's maximum exposure to loss on continuing participation in the derecognized bank's acceptance bills is the face amount of the transferred outstanding bankers' acceptances of NT\$8,269 thousand and NT\$8,618 thousand as of December 31, 2024 and 2023, respectively, which will mature within one to ten

months after the balance sheet date. Considering the credit risk of the excluded bank's acceptance bills, the consolidated company's assessment of the fair value of its continuing participation was not material.

XXVIII. Related Party Transactions

Transactions, account balances, income, and expenses between the Company and its subsidiaries (which are related parties of the Company) are entirely eliminated in the consolidation process and therefore are not disclosed in this note. Transactions between the consolidated company and other related parties are as follows:

(I) Names and relations of related parties

<u>Related Party</u>	<u>Relationship with the Consolidated Company</u>
Chow, Pong-Chi	Chairman of the Company
Wen Shung Industrial Corp. (Wen Shung)	Substantial related party
Belize Quan Ke Co., Ltd. (Belize Quan Ke)	Substantial related party
Belize New Decision Co., Ltd. (Belize New Decision)	Substantial related party
Dongguan Jiacun Trading Co., Ltd. (Dongguan Jiacun)	Substantial related party
Ching Pu Technology Inc. (Ching Pu)	Substantial related party
Shanghai Wenwei International Trading Co.,Ltd. (Shanghai Wenwei)	Substantial related party

(II) Operating revenue

<u>Accounting Subject</u>	<u>Type/Name of Related Party</u>	<u>2024</u>	<u>2023</u>
Sales revenue	Substantial related party	<u>\$ 407</u>	<u>\$ 377</u>

(III) Purchase of goods

<u>Type/Name of Related Party</u>	<u>2024</u>	<u>2023</u>
Substantial related party		
Wen Shung	\$ 125,897	\$ 78,390
Others	<u>9,798</u>	<u>2,948</u>
	<u>\$ 135,695</u>	<u>\$ 81,338</u>

The purchase and sale of goods to related parties are based on cost, and both parties negotiate prices with reference to market conditions.

(IV) Receivables from related parties

<u>Accounting Subject</u>	<u>Type/Name of Related Party</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable	Substantial related party	<u>\$ 71</u>	<u>\$ 72</u>

The outstanding amount of receivables from related parties is not collateralized and the terms of the transactions are monthly for 60 days, which are not materially different from those of general accounts.

(V) Lease agreements

Accounting Subject	Type/Name of Related Party	December 31, 2024	December 31, 2023
Lease liabilities	Substantial related party	<u>\$ 5,020</u>	<u>\$ 8,464</u>

Type/Name of Related Party	2024	2023
<u>Interest expenses (Recognized as finance costs)</u>		
Substantial related party	<u>\$ 157</u>	<u>\$ 134</u>

Cash outflow from leasing

Substantial related party	<u>\$ 3,600</u>	<u>\$ 3,600</u>
---------------------------	-----------------	-----------------

Under the lease agreements between the consolidated company and the substantial related parties, the rent is paid monthly in accordance with the size of the premise leased with reference to the market in the vicinity.

(VI) Payables to related parties

Accounting Subject	Type/Name of Related Party	December 31, 2024	December 31, 2023
Accounts payable	Substantial related party		
	Wen Shung	\$ 25,512	\$ 22,189
	Others	<u>4,485</u>	<u>532</u>
		<u>\$ 29,997</u>	<u>\$ 22,721</u>
Other payables	Substantial related party		
	Wen Shung	<u>\$ 79</u>	<u>\$ 165</u>

The terms of the consolidated company's purchase of copper foil substrates from the substantial related party are 120 days monthly, which is not yet materially different from those of the general suppliers.

(VII) Remuneration to the management

	2024	2023
Short-term employee benefits	\$ 4,709	\$ 8,071
Retirement benefits	<u>108</u>	<u>107</u>
	<u>\$ 4,817</u>	<u>\$ 8,178</u>

(VIII) Guarantees

<u>Type of Related Party</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Chairman of the Board		
Guaranteed Amount	<u>\$ 365,000</u>	<u>\$ 521,000</u>
Actual Amount Drawn (Recorded as Short-Term Borrowings)	<u>\$ 296,000</u>	<u>\$ 266,000</u>

XXIX. Pledged Assets

The following assets were provided as collateral for the consolidated company's bank loans and performance guarantees:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Property, plant, and equipment		
Land	\$ 113,167	\$ 113,167
Housing and Construction	111,747	115,035
Machinery	85,577	162,024
Financial assets at fair value through other comprehensive income - current		
Domestic OTC stocks	225,420	180,723

XXX. Information on Foreign Currency-denominated Assets and Liabilities of Significant Influence

The following summary is presented in foreign currencies other than the functional currency. The exchange rate disclosed in the summary refers to the exchange rate of a foreign currency to the functional currency. The significant impact on assets and liabilities recognized in foreign currencies is as follows:

	Unit: Foreign currency/NT\$ thousand					
	<u>December 31, 2024</u>			<u>December 31, 2023</u>		
	<u>Foreign currencies</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign currencies</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Monetary items of financial assets</u>						
USD	\$ 2,298	32.785	\$ 75,340	\$ 29,563	30.71	\$ 907,732
JPY	242,978	0.2154	52,342	114,346	0.2183	24,959
<u>Non-monetary items of financial assets</u>						
USD	575	32.785	18,851	682	30.71	20,941
<u>Monetary items of financial liabilities</u>						
USD	3	32.785	98	20	30.71	614
JPY	418,120	0.2154	90,072	214,228	0.2183	46,761

Please refer to Note XXII for the consolidated company's foreign currency exchange gains and losses (realized and unrealized) for the years 2024 and 2023. Due to the large

number of foreign currency transactions, it is not possible to disclose the exchange gains and losses by foreign currency for each material effect.

XXXI. Supplementary Disclosures

(I) Information on Significant Transactions:

1. Loans Provided for Others. (Table 1)
2. Endorsements/Guarantees Provided for Others. (Table 2)
3. Securities Held at End of Period (excluding investments in subsidiaries, associates, and joint ventures). (Table 3)
4. Accumulated Purchase or Sale of the Same Securities Amounting to NT\$300 Million or 20% of Paid-in Capital or More. (None)
5. Acquisition of Real Estate Amounting to NT\$300 Million or 20% of the Paid-in Capital or More. (None)
6. Disposal of Property Amounting to NT\$300 Million or 20% of Paid-in Capital or More. (None)
7. Purchases or Sales with Related Parties Amounting to NT\$100 Million or 20% of Paid-up Capital or More. (Table 4)
8. Receivables from Related Parties Amounting to NT\$100 Million or 20% of Paid-up Capital or More. (None)
9. Derivatives Transactions. (None)
10. Others: Intercompany Relationships and Significant Intercompany Transactions. (Table 7)

(II) Information on Invested Companies (Table 5)

(III) Information on Investments in Mainland China:

1. Information on any investee company in mainland China (name, main business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of investment at end of period, repatriations of investment income, and limit on the amount of investment in mainland China. (Table 6)
2. Major transactions with any investee company in mainland China directly or indirectly through a third region, and their prices, payment terms, unrealized gains (losses), and other information: (Table 8)
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

- (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
- (3) The amount of property transactions and the amount of the resultant gains or losses. (None)
- (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (None)
- (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (Table 1)
- (6) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (None)

(IV) Information on Major Shareholders: Name, amount and percentage of shareholding of shareholders with 5% or more of the shares. (Table 9)

XXXII. Operating Segment Financial Information

(I) Segment Financial Information

The information provided by the consolidated company to its key operating decision makers for the purpose of allocating resources and evaluating divisional performance focuses on the type of product or service to be delivered or provided. In accordance with IFRS 8, "Operating Segments," the consolidated company's reportable segments (products or labor for drill bits, drilling foundry and copper foil substrates) are as follows:

1. Taiwan Business Division: Includes sales and segment operating expenses resulting from shipments from Key Ware Electronics, Key De Precise, Jia Chi, Hui Peng and Laserware Laser.
2. Mainland China Business Division: Includes sales and segment operating expenses arising from shipments of Kunshan Key Ware Electronics , Kunshan Weixing, Kunshan Laserware Laser , King Ware(Chongqing) , Wuhan Laserware Laser , Shenzhen Laserware Laser, Key ware, Advisor and Module.
3. Thailand Business Division: Includes sales profit or loss and departmental operating expenses arising from shipments by KEY WARE THAILAND

Financial information regarding the operating segments of the consolidated company for 2024 and 2023 is as follows:

2024				
Item	Taiwan Region	Mainland China Region	Thailand Region	Amount after adjustment
Segment revenue				
External revenue	<u>\$ 605,961</u>	<u>\$ 557,091</u>	<u>\$ -</u>	<u>\$ 1,163,052</u>
Segment profit or loss	<u>(\$ 9,395)</u>	<u>\$ 650</u>	<u>(\$ 691)</u>	(\$ 9,436)
Non-operating income and expenses				<u>10,090</u>
Net income before tax				<u>\$ 654</u>
Segment assets	<u>\$ 1,544,603</u>	<u>\$ 2,203,412</u>	<u>\$ 14,246</u>	<u>\$ 3,762,261</u>
2023				
Item	Taiwan Region	Mainland China Region	Thailand Region	Amount after adjustment
Segment revenue				
External revenue	<u>\$ 570,092</u>	<u>\$ 498,178</u>	<u>\$ -</u>	<u>\$ 1,068,270</u>
Segment profit or loss	<u>(\$ 99,601)</u>	<u>(\$ 84,442)</u>	<u>\$ -</u>	(\$ 184,043)
Non-operating income and expenses				<u>332,664</u>
Net income (loss) before tax				<u>\$ 148,621</u>
Segment assets	<u>\$ 1,594,967</u>	<u>\$ 2,066,117</u>	<u>\$ -</u>	<u>\$ 3,661,084</u>

Segment profit refers to the profit earned by each segment, excluding investment income or loss, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of investments, exchange gain or loss, gain or loss on valuation of financial instruments, interest expense and income tax expense recognized under the equity method. The measurement amount is provided to the chief operating decision maker to allocate resources to the segment and to measure its performance.

(II) Revenue from Main Products

The analysis of revenue from the main products of the continuing operations of the consolidated company is as follows:

	2024	2023
Drill bit	\$ 565,518	\$ 695,204
Copper Foil Substrates	161,061	256,448
Drilling Services	<u>436,473</u>	<u>116,618</u>
	<u>\$ 1,163,052</u>	<u>\$ 1,068,270</u>

(III) Major Customer Information

Out of the sales revenues of NT\$1,163,052 thousand and \$1,068,270 thousand for the years 2024 and 2023 respectively, NT\$110,974 thousand and NT\$155,174 thousand respectively were derived from the largest customer of the Group. There were no other revenues from a single customer in the years 2024 and 2023 that exceeded 10% of the total revenue of the consolidated company.

Key Ware Electronics Co., Ltd. and its investee companies

Loans Provided for Others

2024

Table 1

Unit: NT\$/CNY thousand

No.	Financing Company	Counterparty	Transaction Item or Nature of Transaction	Related Party	Maximum Balance for the Period (Note 2)	Ending Balance (Note 2)	Actual Amount Drawn	Interest Rate	Nature for Financing	Transaction Amounts	Reason for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 1)
													Item	Value		
0	The Company	4 Companies including Kunshan Key Ware	Other receivables - related parties	Yes	\$ 100,000	\$ 100,000	\$ -	-	Short-term Financing	\$ -	Operations turnover	\$ -	-	\$ -	\$ 207,849	\$ 831,395
0	The Company	Jia Chi	Other receivables - related parties	Yes	30,000	30,000	7,800	-	Short-term Financing	-	Operations turnover	-	-	-	207,849	831,395
0	The Company	Laserware Laser	Other receivables - related parties	Yes	40,000	40,000	-	-	Short-term Financing	-	Operations turnover	-	-	-	207,849	831,395
0	The Company	KEY WARE THAILAND	Other receivables - related parties	Yes	40,000	40,000	-	-	Short-term Financing	-	Operations turnover	-	-	-	207,849	831,395

Note 1: According to the Company's "Procedures for Lending Funds to Others," the total amount of funds lent to others shall not exceed 40% of the Company's net worth as shown in the most recent financial statements audited or reviewed by a certified public accountant. For entities with financing needs, the amount of an individual loan shall not exceed 10% of the net worth of the lending company.

Note 2: This amount was approved by a resolution of the Board of Directors

Key Ware Electronics Co., Ltd. and its investee companies
Endorsements/Guarantees Provided for Others
2024

Table 2 Unit: NT\$/USD/CNY/THB thousand

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsements/ Guarantees Provided for Single Entity (Note 1 and Note 2)	Maximum Endorsement/ Guarantee Balance (Note 3)	Ending Balance of Endorsements and Guarantees (Note 3)	Actual Amount Drawn	Amount of Endorsements/ Guarantees Collateralized by Property	Ratio of Accumulated Endorsements/ Guarantees to Net Worth per Latest Financial Statements	Maximum Limit of Endorsements and Guarantees (Note 1 and Note 2)	Endorsements and guarantees provided by the parent company to its subsidiaries	Endorsements and guarantees provided by the subsidiary to the parent company	Endorsements and guarantees provided to Mainland China
		Name of Company	Relationship										
0	The Company	KEY WARE THAILAND	subsidiaries	\$ 415,697	\$ 61,654 THB 30,000 & USD 1,000	\$ 61,654 THB 30,000 & USD 1,000	\$ -	\$ -	2.97	\$ 1,247,092	Y	N	N
0	The Company	Jia Chi	subsidiaries	415,697	30,000	30,000	20,000	-	1.44	1,247,092	Y	N	N
0	The Company	Key De Precise	subsidiaries	415,697	200,000	200,000	20,000	-	9.62	1,247,092	Y	N	N
1	Kunshan Key Ware	The Company	parent	372,346	75,936 CNY 16,500	75,253 CNY 16,500	75,253 CNY 16,500	75,253	4.04	1,117,039	N	Y	N
1	Kunshan Key Ware	Kunshan Laserware Laser	subsidiaries	372,346	44,181 CNY 9,600	43,784 CNY 9,600	22,804 CNY 5,000	-	2.35	1,117,039	N	N	Y

Note 1: According to the Company's "Procedures for Endorsements and Guarantees," the total cumulative amount of external endorsements and guarantees shall not exceed 60% of the Company's net worth as stated in the most recent financial statements audited or reviewed by a certified public accountant. The amount of endorsements and guarantees for any single entity shall not exceed 20% of the aforementioned net worth.

Note 2: The total cumulative amount of external endorsements and guarantees by Kunshan Key Ware shall not exceed 60% of Kunshan Key Ware's net worth as stated in the most recent financial statements audited or reviewed by a certified public accountant. The amount of endorsements and guarantees for any single entity shall not exceed 20% of the aforementioned net worth.

Note 3: This amount was approved by a resolution of the Board of Directors.

Key Ware Electronics Co., Ltd. and its investee companies
Securities Held at End of Period
December 31, 2024

Table 3 Unit: NT\$ thousand

Securities Holding Company	Marketable Securities and Name	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Remark
				Number of Shares (in Thousands)	Carrying amount	Shareholding Ratio (%)	Market Value/Net Equity Value	
The Company	<u>Domestic listed and emerging stocks</u>							
	Savior Lifetec Corp.	—	Financial assets at fair value through profit or loss - current	3,082	\$ 62,873	0.97	\$ 62,873	
	Unimicron Technology Corp.	—	Financial assets at fair value through profit or loss - current	20	2,820	-	2,820	
	Compeq Manufacturing Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	30	2,103	-	2,103	
	Qbic Technology Co., Ltd.	—	Financial assets at fair value through profit or loss - current	483	11,720	2.14	11,720	
	Savior Lifetec Corp.	—	Financial assets at fair value through other comprehensive income - current	12,571	256,449	3.96	256,449	Note 1
	<u>Domestic unlisted (OTC) stocks</u>							
	Han Yu Entrepreneurship Investment Co., Ltd.	—	Financial assets at fair value through other comprehensive income - non-current	3,200	17,634	8.89	17,634	
	<u>Foreign unlisted (OTC) stocks</u>							
	Concord Venture Capital Group Limited	—	Financial assets at fair value through other comprehensive income - non-current	-	10,018	13.57	10,018	
	Kirana Inc.	—	Financial assets at fair value through other comprehensive income - non-current	1,809	8,849	1.73	8,849	
	<u>Foreign listed (OTC) stocks</u>							
Sana Biotechnology, Inc.	—	Financial assets at fair value through profit or loss - current	319	17,058	0.14	17,058		
Silicon Motion Technology Corp.	-	Financial assets at fair value through profit or loss - current	1	1,240	-	1,240		
Kunshan Key Ware	<u>Renminbi financial products</u>							
	Huaxia Bank – Huaxia Wealth Management Fixed Income Product No. 1 (Daily Open)	—	Financial assets at fair value through profit or loss - current	-	22,029 CNY 4,830	-	22,029 CNY 4,830	

Note 1: The consolidated company provided 11,050 thousand shares of Savior Lifetec Corporation to financial institutions as a collateral for financing.

Key Ware Electronics Co., Ltd. and its investee companies

The amount of purchases from or sales to related parties reaches NT\$100 million or more, or exceeds 20% of the paid-in capital.

2024

Table 4

Unit: NT\$ thousand

Purchasing (Selling) Company	Counterparty	Relationship	Transaction Details				Circumstances and Reasons for Transaction Terms Differing from General Transactions		Notes and Accounts Receivable/Payable		Remark
			Sales and Purchases	Amount	Percentage of Total Purchases (Sales)	Credit Term	Unit Price	Credit Term	Balance	Percentage of Total Notes and Accounts Receivable/Payable	
The Company	Jia Chi	Subsidiary	Sales	(\$116,052)	(10%)	Monthly settlement with 180-day terms	\$ -	Typically 120 days	(\$68,854)	(13%)	Note 1
Key De Precise	Wenxiang	Substantive Related Party	Purchases	125,897	12%	Monthly settlement with 120-day terms	-	Typically 90~120 days	25,512	21%	—

Note 1: Intercompany transactions between the parent and subsidiary have been eliminated in the preparation of the consolidated financial statements.

Key Ware Electronics Co., Ltd. and its investee companies
Name of Investee Company, Location and Other Related Information
2024

Table 5 Unit: NT\$/USD/CNY/THB thousand

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Profit (Loss) of Investee for the Period	Investment Income (Loss) Recognized for the Period (Note 1)	Remark
				Ending Balance for the Current Period	Ending Balance for the Previous Period	Number of Shares (in Thousands)	Shareholding (%)	Carrying amount			
The Company	Key Ware	British Virgin Islands	General investment	\$ 777,562	\$ 777,562	23,717	100	\$ 1,878,967	\$ 73,233	\$ 73,371	—
	Key De Precise	Taiwan	Wholesale and processing of electronic parts and components	USD 23,717	USD 23,717	612	51	23,849	CNY 16,200	CNY 16,231	—
				30,600	30,600				5,871	1,280	
	Laserware Laser	Taiwan	General investment	1,000	1,000	100	99.99	967	2	2	—
	Rong Pei	Taiwan	General investment	-	18,667	-	-	-	(35)	(7)	Note 2
	Jia Chi	Taiwan	Wholesale and processing of electronic parts and components	49,500	49,500	2,972	83.63	1,753	7,846	6,624	—
	Hui Peng	Taiwan	General investment	600	600	60	60	608	7	4	—
	KEY WARE THAILAND	Thailand	Drilling subcontracting	2,500	2,500	250	100	1,698	(687)	(687)	—
Key Ware	Advisor	British Virgin Islands	General investment	THB 2,406	THB 2,406				(THB 735)	(THB 735)	—
				326,539	326,539	9,960	100	858,018	33,456	33,456	—
				USD 9,960	USD 9,960			CNY 188,128	CNY 7,401	CNY 7,401	—
	Module	Cayman Islands	General investment	424,795	424,795	12,957	100	1,015,695	39,893	39,893	—
			USD 12,957	USD 12,957			CNY 222,700	CNY 8,825	CNY 8,825	—	

Note 1: The investment income (loss) recognized in the current period has already considered the impact of unrealized gains and losses from intercompany transactions.

Note 2: Rong Pei Wisdom Co., Ltd. was dissolved in May 2024, with the dissolution reference date set as May 3, 2024, and the liquidation process was completed in January 2025.

Key Ware Electronics Co., Ltd. and its investee companies
Information on Investments in Mainland China
2024

Table 6

Unit: NTD/USD/CNY thousand

Mainland Investee Company Name	Main Business Activities	Paid-in Capital	Method of Investments	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Current Period Profit or Loss of the Investee Company	The Company's Direct or Indirect Ownership	Investment Profit (Loss) Recognized for the Period	Carrying Amount of Investments at End of Period	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated						
Kunshan Key Ware	Drilling tools, hand tools	\$ 792,315 USD 24,167	Investment in Mainland China through companies registered in a third region	\$ 708,385 USD 21,607	\$ -	\$ -	\$ 708,385 USD 21,607	\$ 73,697 CNY 16,303	100	\$ 73,697 CNY 16,303	\$ 1,861,731 CNY 408,201	\$ 56,563 CNY 13,000
Kunshan Laserware Laser	Drilling subcontracting	31,926 CNY 7,000	Investment in Mainland China Company through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	1,767 CNY 391	100	1,767 CNY 391	7,603 CNY 1,667	-
King Ware	Wholesale of electronic components	4,561 CNY 1,000	Investment in Mainland China Company through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	660 CNY 146	100	660 CNY 146	7,206 CNY 1,580	-
Wuhan Laserware Laser	Drilling subcontracting	177,872 CNY 39,000	Investment in Mainland China Company through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	9,556 CNY 2,114	100	9,556 CNY 2,114	183,277 CNY 40,185	-
Shenzhen Laserware Laser	Drilling subcontracting	28,551 CNY 6,260	Investment in Mainland China Company through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	(72) (CNY 16)	100	(72) (CNY 16)	10,992 CNY 2,410	-
Hubei Laserware Laser	Drilling subcontracting	61,571 CNY 13,500	Investment in Mainland China Company through Kunshan Key Ware Electronics Co., Ltd.	-	-	-	-	3,065 CNY 678	100	3,065 CNY 678	64,663 CNY 14,178	-

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period	Amount of Investments Authorized by Investment Commission, M.O.E.A.	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
\$ 726,417 (USD 22,157)	\$ 794,282 (USD 24,227)	\$ 1,258,480 (Note 1)

Note 1: According to the "Principles for Examination of Investment or Technical Cooperation in Mainland China", the accumulated amount of the investor's investment in Mainland China shall not exceed 60% of the net value or the combined net value, whichever is higher.

Key Ware Electronics Co., Ltd. and its investee companies
Intercompany Relationships and Significant Intercompany Transactions

2024

Table 7

Unit: NT\$ thousand

No. (Note 1)	Company	Counterparty	Relationship (Note 2)	Description of Transactions			Percentage of Consolidated Total Revenue or Total Assets (Note 7)		
				Ledger Account	Amount (Note 6)	Transaction Term			
0	The Company	Key De Precise	1	Other Receivables	\$ 2	—	-		
		Key De Precise	1	Cost of Goods Sold	7	Note 5	-		
		Jia Chi	1	Accounts Receivable	68,584	Note 3	1.72		
		Jia Chi	1	Other Receivables	7,984	—	0.20		
		Jia Chi	1	Processing Revenue	116,052	Note 3	9.97		
		Jia Chi	1	Miscellaneous Expenses	8,141	—	1.41		
		Jia Chi	1	Other Payables	962	—	0.02		
		Kunshan Key Ware	1	Accounts Receivable	13,266	Note 4	0.34		
		Kunshan Key Ware	1	Other Payable	9,395	—	0.24		
		Kunshan Key Ware	1	Accounts Payable	30,180	Note 3	0.76		
		Kunshan Key Ware	1	Sales Revenue	59,275	Note 4	10.30		
		Kunshan Key Ware	1	Cost of Goods Sold	54,246	Note 3	9.42		
		Kunshan Key Ware	1	Unrealized Gross Profit on Sales	399	—	0.07		
		Kunshan Key Ware	1	Realized Gross Profit on Sales	636	—	0.11		
		Kunshan Key Ware	1	Long-term Deferred Revenue	81,970	—	2.05		
		Kunshan Key Ware	1	Gain on Disposal of Property, Plant, and Equipment	2,647	—	0.07		
		Wuhan Laserware Laser	1	Long-term Deferred Revenue	6,532	—	0.16		
		Wuhan Laserware Laser	1	Gain on Disposal of Property, Plant, and Equipment	1,655	—	0.29		
		1	Kunshan Key Ware	Kunshan Laserware Laser	3	Accounts Receivable	13,316	Note 3	0.33
				Kunshan Laserware Laser	3	Other Receivables	65,116	—	1.63
Kunshan Laserware Laser	3			Sales Revenue	8,960	Note 3	1.56		
Kunshan Laserware Laser	3			Miscellaneous Income	10,306	—	1.79		
Kunshan Laserware Laser	3			Miscellaneous Expenses	9,180	—	1.59		
Wuhan Laserware Laser	3			Accounts Receivable	1,294	—	0.03		
Wuhan Laserware Laser	3			Sales Revenue	18,408	Note 3	3.20		
Wuhan Laserware Laser	3			Accounts Payable	81	Note 3	-		
Hubei Laserware Laser	3			Accounts Receivable	3,886	—	0.10		
Hubei Laserware Laser	3			Sales Revenue	1,763	Note 3	0.40		
2	Wuhan Laserware Laser	Kunshan Key Ware	3	Accounts Payable	\$ 81	Note 3	-		
		Kunshan Key Ware	3	Cost of Goods Sold	18,408	Note 3	3.20		
		Kunshan Laserware Laser	3	Accounts Receivable	35	Note 3	-		
		Hubei Laserware Laser	3	Accounts Receivable	27,279	Note 3	0.68		
3	Hubei Laserware Laser	Kunshan Laserware Laser	3	Accounts Receivable	31	Note 3	0.01		

		Kunshan Laserware Laser	3	Accounts Payable	138	Note 3	0.02
--	--	-------------------------	---	------------------	-----	--------	------

Note 1: The information on business dealings between the parent company and subsidiaries should be numbered according to the following method:

1. For the parent company, fill in 0.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationships with counterparties can be any one of the following three types:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 180 days.

Note 4: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 120 days.

Note 5: Transaction price are based on cost, and both parties negotiate prices with reference to market conditions. The trading terms are net 65 days.

Note 6: In preparing the consolidated financial statements, inter-parent-subsidiary transactions are written-off.

Note 7: The ratio of transaction amount to total consolidated revenue or total assets is calculated as the ending balance to total consolidated assets if it is an asset or liability account; For profit and loss accounts, the calculation is based on the accumulated amount as a percentage of consolidated total revenue.

Key Ware Electronics Co., Ltd. and its investee companies

Major transactions and related information, including prices, payment terms, unrealized gains or losses, and other relevant details, that occurred directly or indirectly through a third region with the Mainland investee company
2024

Table 8 Unit: NT\$ thousand

Investee Company	Type of Transaction	Sales and Purchases		Price	Transaction Term		Notes and Accounts Receivable (Payable)		Unrealized gains (losses)	Remark
		Amount	Percentage (%)		Payment Terms	Difference with General Transactions	Amount	Percentage (%)		
Kunshan Key Ware	Sales	\$ 59,275	12%	No material difference from the general account	Net 120 to 180 days	No material difference from the general transaction	\$ 13,670	7%	\$ 237	-
	Purchase	101,785	18%	No material difference from the general account	Net 180 days	No material difference from the general transaction	(48,676)	53%	-	-
	Disposal of Machinery and Equipment	77,059	-	No material difference from the general account	Net 120 days	Due to differences in product specifications and characteristics, there is no basis for comparison	-	-	5,245	-
	Purchase of machinery and equipment	9,395	-	No material difference from the general account	Net 180 days	Due to differences in product specifications and characteristics, there is no basis for comparison	(9,395)	10%	-	-
Kunshan Laserware Laser	Sales	8,960	3%	No material difference from the general account	Net 180 days	No material difference from the general transaction	13,316	6%	-	-
Wuhan Laserware Laser	Sales	36,816	11%	No material difference from the general account	Net 180 days	No material difference from the general transaction	1,294	1%	-	-

Note: Unrealized gains or losses arising from transactions with the investee company in Mainland China have been entirely eliminated in the preparation of the consolidated financial statements.

Key Ware Electronics Co., Ltd.
Information on Major Shareholders
December 31, 2024

Table 9

Name of Major Shareholders	Shareholding	
	Number of shares held (shares)	Shareholding ratio (%)
Qing Yu Investment Co., Ltd.	14,201,709	7.37
Jia Ju Investment Co., Ltd.	11,169,353	5.80

Note: The information in this table regarding major shareholders is provided by the Taiwan Depository & Clearing Corporation (TDCC) based on the last business day of the quarter, calculating shareholders who hold 5% or more of the company's issued dematerialized common shares. The share capital reported in the company's consolidated financial statements may differ from the actual number of dematerialized shares delivered, due to differences in the basis of preparation or calculation methods.