

TricornTech Taiwan Corporation
Financial Statements and Independent Auditors' Report
2024 and 2023
(Stock code: 6909)

Address : 17F, No. 866-8, Zhongzheng Rd., Zhonghe District, New Taipei City

Tel : (02)2223-0707

TricornTech Taiwan Corporation
2024 and 2023 Financial Statements and Independent Auditors' Report
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Independent Auditors' Report

Ref. No. (114) Cai-Shen-Bao-Zi No. 24004546

To the Board of Directors and Shareholders of TricornTech Corporation:

Auditor's Opinion

We have duly reviewed the accompanying Statement of Financial Position of TricornTech Corporation for the years ended December 31, 2024 and 2023, and the related Statement of Comprehensive Income, of Statement of Changes in Equity and of Statement of Cash Flows for the period from January 1 to December 31, 2024 and 2023, and notes to the financial statements, including a summary of significant accounting policies.

Based on the review results of the attesting CPAs, all material aspects of the abovementioned Financial Statements were prepared according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed by the Financial Supervisory Commission (FSC). The accompanying financial statements present fairly, in all material respects, the financial position of TricornTech Corporation as of December 31, 2024 and 2023, and the financial performance and cash flow for the period from January 1 to December 31, 2024 and 2023.

Basis for Opinion

We have duly conducted the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. The responsibilities of the attesting CPAs under these standards will be further explained in the auditor's responsibility section of the audit of the financial statements. We are independent of TricornTech Corporation in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matter that, in our professional judgement, were of most significance in our audit of the financial statements of TricornTech Corporation for the year ended 2024. These matters were addressed in the context of our audit of the Company as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's financial statements for the year ended 2024 are stated as follows:

Key Audit Matter - Evaluating Inventory Valuation Impairment

Description

For details of the inventory valuation policy, please refer to Note IV (X) to the financial statements; for details of the accounting estimates and assumptions adopted in the valuation of inventories, please refer to Note V to the parent company only financial statements; and for details of the allowance for price decline in inventories, please refer to Note VI (IV) to the financial statements

TricornTech Corporation primarily engages in the manufacturing and sale of gas detection equipment. The Company maintains inventory reserves based on projected sales plans and material safety stock levels. Deviations between projected and actual sales plans may result in slow inventory turnover and potential obsolescence.

Inventory valuation at TricornTech Corporation is performed using the lower of cost or net realizable value method, supplemented by an assessment of inventory aging to determine its value. Identifying individual obsolete inventory items often involves subjective judgment, resulting in inherent estimation uncertainties. Therefore, we have identified the evaluation of the allowance for inventory valuation losses as a key audit matter for this year.

Corresponding Audit Procedures Undertaken

The principal audit procedures performed regarding the aforementioned key audit matters include:

1. Obtaining the Company's inventory impairment provisioning policy and assessing the reasonableness of the assumptions made by management regarding net realizable value and inventory turnover, and verifying consistent application throughout the financial reporting period.
2. Assessing the appropriateness of the logic behind inventory net realizable value and aging reports, verifying the accuracy of information as of the reporting date and its consistency with the Company's policies.
3. Understanding warehouse management processes, reviewing the annual inventory count plan, and participating in inventory observations to evaluate the effectiveness of management's identification and handling of obsolete inventory.

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

Management is responsible for the preparation and fair presentation of the financial statements, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) as endorsed by the Financial Supervisory Commission (FSC).

This responsibility includes maintaining necessary internal controls relevant to the preparation of financial statements to ensure they are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements (including relevant notes and disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of TricornTech Corporation for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Sheng-Wei Teng

Certified Public Accountant

Yu-Fang Yen

Financial Supervisory Commission

Approval Reference Numbers: Jing-Guan-Zheng-Shen-Zi No.
1020013788

Jing-Guan-Zheng-Shen-Zi No.
1080323093

March 11, 2025

TricornTech Taiwan Corporation
Statement of Financial Position
December 31, 2024 and 2023

Unit: NTD thousands

Assets	Notes	December 31, 2024		December 31, 2023		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 426,580	42	\$ 483,643	53
1136	Financial assets at amortized cost	6(2)	106,828	11	2,500	-
1140	Contract assets - current	6(16)	170,210	17	99,715	11
1150	Notes receivable, net	6(3)	8,172	1	531	-
1170	Accounts receivable, net	6(3)	52,256	5	69,263	8
1200	Other receivables		995	-	814	-
130X	Inventory	6(4)	105,438	10	98,925	11
1410	Prepayments		6,844	1	4,430	-
11XX	Total current assets		<u>877,323</u>	<u>87</u>	<u>759,821</u>	<u>83</u>
Non-current assets						
1600	Property, plant and equipment	6(5)	28,121	3	30,154	4
1755	Right-of-use assets	6(6)	10,350	1	20,852	2
1780	Intangible assets	6(7)	36,175	4	45,820	5
1840	Deferred income tax assets	6(21)	45,918	5	48,047	5
1920	Refundable deposits		5,561	-	5,413	1
15XX	Total non-current assets		<u>126,125</u>	<u>13</u>	<u>150,286</u>	<u>17</u>
1XXX	Total assets		<u>\$ 1,003,448</u>	<u>100</u>	<u>\$ 910,107</u>	<u>100</u>

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TricornTech Taiwan Corporation
Statement of Financial Position
December 31, 2024 and 2023

Unit: NTD thousands

Total liabilities and equity	Notes	December 31, 2024		December 31, 2023		
		Amount	%	Amount	%	
Current liabilities						
2130	Contract liabilities	6(16)	\$ 20,401	2	\$ 14,510	2
2170	Accounts payable		27,560	3	8,248	1
2200	Other payables	6(8)	85,763	8	64,413	7
2230	Current income tax liabilities	6(21)	1,017	-	-	-
2250	Liability reserves - current	6(12)	9,334	1	6,837	1
2280	Lease liabilities - current		9,759	1	10,472	1
2320	Current portion of long-term liabilities	6(9)	-	-	1,667	-
2399	Other current liabilities - others		824	-	723	-
21XX	Total current liabilities		<u>154,658</u>	<u>15</u>	<u>106,870</u>	<u>12</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(21)	4,444	1	1,880	-
2580	Lease liabilities - non-current		784	-	10,681	1
25XX	Total non-current liabilities		<u>5,228</u>	<u>1</u>	<u>12,561</u>	<u>1</u>
2XXX	Total liabilities		<u>159,886</u>	<u>16</u>	<u>119,431</u>	<u>13</u>
Equity						
Share capital						
3110	Common stock capital	6(13)	610,640	61	602,347	66
Additional paid-in capital						
3200	Additional paid-in capital	6(14)	72,757	7	55,295	6
Retained earnings						
3310	Legal reserve	6(15)	17,340	2	8,028	1
3350	Undistributed earnings		160,822	16	125,006	14
Other equity						
3400	Other equity		(17,997)	(2)	-	-
3XXX	Total equity		<u>843,562</u>	<u>84</u>	<u>790,676</u>	<u>87</u>
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 1,003,448</u>	<u>100</u>	<u>\$ 910,107</u>	<u>100</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Chairman: Leo WANG

Manager: Leo WANG

Accounting supervisor: Hsiu- Ju Lu

TricornTech Taiwan Corporation
Statements of Comprehensive Income
For the years ended December 31, 2024 and 2023

Unit: NTD thousands
(except for earnings per share in NTD)

Item	Notes	2024		2023	
		Amount	%	Amount	%
4000 Operating revenue	6(16)	\$ 496,062	100	\$ 406,637	100
5000 Operating cost	6(4)	(190,690)	(38)	(152,356)	(37)
5900 Gross operating profit		<u>305,372</u>	<u>62</u>	<u>254,281</u>	<u>63</u>
Operating expenses	6(19)				
6100 Promotional expenses		(77,094)	(16)	(65,226)	(16)
6200 Administrative expenses		(54,834)	(11)	(47,351)	(12)
6300 Research and development expenses		(93,409)	(19)	(86,788)	(21)
6450 Expected credit (losses) gains	12(2)	(1,300)	-	2,046	-
6000 Total operating expenses		(<u>226,637</u>)	(<u>46</u>)	(<u>197,319</u>)	(<u>49</u>)
6900 Operating profit		<u>78,735</u>	<u>16</u>	<u>56,962</u>	<u>14</u>
Non-operating income and expenses					
7100 Interest income		6,760	1	8,503	2
7010 Other income		931	-	849	-
7020 Other gains and losses	6(17)	13,643	3	2,947	1
7050 Financial cost	6(18)	(339)	-	(537)	-
7000 Total non-operating income and expenses		<u>20,995</u>	<u>4</u>	<u>11,762</u>	<u>3</u>
7900 Net profit before tax		<u>99,730</u>	<u>20</u>	<u>68,724</u>	<u>17</u>
7950 Income tax (expense) benefit	6(21)	(6,414)	(1)	24,393	6
8200 Profit for the period		<u>\$ 93,316</u>	<u>19</u>	<u>\$ 93,117</u>	<u>23</u>
8500 Total comprehensive income for the period		<u>\$ 93,316</u>	<u>19</u>	<u>\$ 93,117</u>	<u>23</u>
Earnings per share	6(22)				
9750 Basic earnings per share		<u>\$ 1.55</u>	<u>1.55</u>	<u>\$ 1.55</u>	<u>1.55</u>
9850 Diluted earnings per share		<u>\$ 1.53</u>	<u>1.53</u>	<u>\$ 1.53</u>	<u>1.53</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

Chairman: Leo WANG

Manager: Leo WANG

Accounting supervisor: Hsiu- Ju Lu

TricornTech Taiwan Corporation
Statements of Changes in Equity
For the years ended December 31, 2024 and 2023

Unit: NTD thousands

	Notes	Common stock capital	Additional paid-in capital	Retained earnings		Other equity – Unearned employee compensation	Total
				Legal reserve	Undistributed earnings		
<u>2023</u>							
Balance as of January 1, 2023		\$ 558,753	\$ 49,142	\$ -	\$ 80,280	\$ -	\$ 688,175
Profit for the period		-	-	-	93,117	-	93,117
Total comprehensive income for the period		-	-	-	93,117	-	93,117
Compensation cost for employee stock options	6(11)	-	2,149	-	-	-	2,149
Execution of employee stock options	6(13)	7,267	4,004	-	-	-	11,271
Earning appropriation and distribution for 2022	6(15)	-	-	-	-	-	-
Appropriation of legal reserve		-	-	8,028	(8,028)	-	-
Appropriation of cash dividends		-	-	-	(4,036)	-	(4,036)
Appropriation of stock dividends		36,327	-	-	(36,327)	-	-
Balance as of December 31, 2023		\$ 602,347	\$ 55,295	\$ 8,028	\$ 125,006	\$ -	\$ 790,676
<u>2024</u>							
Balance as of January 1, 2024		\$ 602,347	\$ 55,295	\$ 8,028	\$ 125,006	\$ -	\$ 790,676
Profit for the period		-	-	-	93,316	-	93,316
Total comprehensive income for the period		-	-	-	93,316	-	93,316
Compensation cost for employee stock options	6(11)	-	556	-	-	-	556
Execution of employee stock options	6(13)	2,493	1,246	-	-	-	3,739
Issuance of restricted employee shares	6(13)	6,000	16,200	-	-	(22,200)	-
Cancellation of restricted employee shares due to employee resignation	6(11)(13)	(200)	(540)	-	-	740	-
Compensation cost of restricted employee shares	6(11)	-	-	-	-	3,463	3,463
Earning appropriation and distribution for 2023	6(15)	-	-	-	-	-	-
Appropriation of legal reserve		-	-	9,312	(9,312)	-	-
Appropriation of cash dividends		-	-	-	(48,188)	-	(48,188)
Balance as of December 31, 2024		\$ 610,640	\$ 72,757	\$ 17,340	\$ 160,822	(\$ 17,997)	\$ 843,562

The accompanying notes to the financial statements are an integral part of this financial statement.

Chairman: Leo WANG

Manager: Leo WANG

Accounting supervisor: Hsiu- Ju Lu

TricornTech Taiwan Corporation
Statement of Cash Flows
For the years ended December 31, 2024 and 2023

Unit: NTD thousands

	Notes	January 1 to December 31, 2024	January 1 to December 31, 2023
<u>Cash flow from operating activities</u>			
Net income (loss) before tax for the period		\$ 99,730	\$ 68,724
Items for adjustment			
Income and expenses			
Expected credit losses (gains)	12(2)	1,301 (2,046)
Depreciation expense	6(5)(6)(19)	22,438	24,868
Amortization expense	6(7)(19)	10,740	11,478
Interest income		(6,760)	(8,503)
Interest expense	6(18)	340	537
Share-based compensation expense amortization	6(11)	4,019	2,149
Gain on disposal of property, plant and equipment	6(17)	-	(388)
Changes in assets/liabilities related to operating activities			
Net changes in assets related to operating activities			
Contract assets		(70,495)	6,167
Notes receivable, net		(7,641)	(471)
Accounts receivable, net		15,706	32,056
Inventory		(7,809)	(14,189)
Other receivables		404	(1,051)
Prepayments		(2,414)	13,856
Long-term notes and receivables		-	8,036
Net changes in liabilities related to operating activities			
Contract liabilities - current		5,891	(6,397)
Accounts payable		19,312	(7,971)
Other payables		21,545	(19,064)
Liability reserves - current		2,497	(536)
Other current liabilities		101	56
Cash inflow from operations		108,905	107,311
Interest collected		6,001	8,503
Interest paid		(340)	(542)
Income tax paid		(530)	-
Net cash inflow from operating activities		114,036	115,272
<u>Cash flow from investing activities</u>			
Acquisition of property, plant and equipment	6(23)	(8,802)	(11,188)
Disposal of property, plant and equipment		-	1,874
Acquisition of intangible assets	6(7)	(1,095)	(1,812)
Increase in financial assets measured at amortized cost – current		(106,828)	-
Decrease in financial assets measured at amortized cost – current		2,500	-
Increase in refundable deposits		(345)	(5,586)
Decrease in refundable deposits		197	3,355
Net cash outflow from investing activities		(114,373)	(13,357)
<u>Cash flow from financing activities</u>			
Lease principal repayment	6(24)	(10,610)	(9,513)
Repayment of long-term borrowings	6(24)	(1,667)	(10,000)
Execution of employee stock options	6(11)	3,739	11,271
Distribution of shareholders' cash dividends	6(15)	(48,188)	(4,036)
Net cash outflow from financing activities		(56,726)	(12,278)
Increase (decrease) in cash and cash equivalents for the current period		(57,063)	89,637
Opening balance of cash and cash equivalents		483,643	394,006
Closing balance of cash and cash equivalents		\$ 426,580	\$ 483,643

The accompanying notes to the financial statements are an integral part of this financial statement.

Chairman: Leo WANG

Manager: Leo WANG

Accounting supervisor: Hsiu- Ju Lu

TricornTech Taiwan Corporation
Notes to Financial Statements
2024 and 2023

Unit: NTD thousands
(unless otherwise specified)

I. History and organization

TricornTech Taiwan Corporation (hereinafter referred to as the "Company") was approved to be incorporated on January 15, 2010. In June 2017, the Company changed its name from Innocon Biotech Co., Ltd. to TricornTech Taiwan Corporation through a resolution of the shareholders. The Company is primarily engaged in the research and development, production and sale of gas detection and pollution prevention equipment.

The Company made retroactive handling of public issuance procedures on July 18, 2022, and was listed as an Emerging Stock Board company on the Taipei Exchange (TPEX) on March 30, 2023.

(II) The date of authorization for issuance of the financial statements and procedures for authorization

This financial statement was approved by the Board of Directors for publication on March 11, 2025.

(III) Application of new standards, amendments and interpretations

(I) Impact of newly issued and amended IFRSs endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as the "FSC") adopted by the Company

The following table summarizes the newly issued, amended, and revised standards and interpretations of the IFRSs applicable in 2024 that were endorsed and issued by the FSC:

<u>New/amended/revised standards and interpretations</u>	<u>Effective date issued by the IASB</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or noncurrent'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

The Company has assessed that the standards and interpretations above have no material impact on the financial position and financial performance of the Company.

(II) Impact of newly issued and amended International Financial Reporting Standards not yet adopted, as endorsed by the FSC

The following table summarizes the newly issued, amended, and revised standards and interpretations of the IFRSs applicable in 2025 that were endorsed and issued by the FSC:

<u>New/amended/revised standards and interpretations</u>	<u>Effective date issued by the IASB</u>
Amendments to IAS No. 21 "Lack of Convertibility"	January 1, 2025

The Company has assessed that the standards and interpretations above have no material impact on the financial position and financial performance of the Company.

(III) Impact of IFRSs issued by the International Accounting Standards Board but not yet endorsed by the FSC:

The following table summarizes the newly released, amended, and revised standards and interpretations of IFRSs issued by the IASB but not yet recognized by the FSC:

<u>New/amended/revised standards and interpretations</u>	<u>Effective date issued by the IASB</u>
Amendments to IFRS 9 and IFRS 7 "Amendments to Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Involving Natural Electricity"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "The Sale or Investment of Assets between Investors and Their Affiliates or Joint Ventures"	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18 "Presentation and Disclosures in Financial Statements"	January 1, 2027
IFRS 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027
Annual Improvements to IFRS Standards - Volume 11	January 1, 2026

Except as stated below, the Company has assessed the above standards and interpretations and concluded that their adoption will not have a material impact on its financial position and financial performance. The actual financial impact will be disclosed upon completion of the relevant assessments:

Applicable to IFRS 18 "Presentation and Disclosures in Financial Statements"

IFRS 18 "Presentation and Disclosures in Financial Statements" replaces IAS 1, revises the structure of the statement of comprehensive income, introduces new disclosures regarding management performance measures, and strengthens the principles related to aggregation and disaggregation applied to the primary financial statements and the notes.

IV. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this financial statement are described as follows. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance Statement

The financial statements have been prepared 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 that came into effect as endorsed by the Financial Supervisory Commission (collectively referred herein as the "IFRSs").

(II) Basis of preparation

1. These financial statements have been prepared under the historical cost convention.
2. The preparation of financial statements, in conformity with the IFRSs, requires the use of certain critical accounting estimates, and the exercise of management's judgement in

applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(III) Foreign currency translation

The Company's functional currency, New Taiwan Dollar (NTD), is used for the presentation of the financial statements.

Transactions and balances in foreign currencies

1. Foreign currency transactions are translated into the functional currency at the spot exchange rate on the transaction date or measurement date, and the translation differences arising from the translation of such transactions are recognized in the current profit or loss.
2. Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss.
3. All exchange gains and losses are reported in the "other gains and losses" of the income statement.

(IV) Classification criteria for current and non-current assets and liabilities

1. Assets that meet one of the following conditions are classified as current assets:
 - (1) The asset is expected to be realized, or intended to be sold or consumed in the normal business cycle.
 - (2) Those held mainly for the purpose of trading.
 - (3) Expected to be realized within 12 months after the balance sheet date.
 - (4) Cash or cash equivalents, unless restricted from being exchanged or used to settle liabilities for at least twelve months after the balance sheet date.

The Company classifies all assets that do not meet the above conditions as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:
 - (1) Those that are expected to be settled in the normal business cycle.
 - (2) Those held mainly for the purpose of trading.
 - (3) Those that are expected to be settled within 12 months after the balance sheet date.
 - (4) Without an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all liabilities that do not meet the above conditions as non-current.

(V) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held to meet short-term cash commitments in operation are classified as cash equivalents.

(VI) Financial assets measured at amortized cost

1. Refers to those who meet the following conditions at the same time:
 - (1) The financial asset is held under the business model for the purpose of collecting contractual cash flow.
 - (2) The contractual terms of the financial asset generate cash flows on specified dates that consist solely of payments of principal and interest on the principal amount outstanding.

2. The Company applies trade-date accounting for financial assets measured at amortized cost under regular-way purchases and sales.
3. Financial assets are initially measured at fair value plus transaction costs. Subsequently, interest income is recognized during the holding period using the effective interest method, impairment losses are recognized when incurred, and gains or losses upon derecognition are recognized in profit or loss.
4. The time deposits held by the Company that do not meet the cash equivalents are short-term, so the impact of discounting is insignificant and is measured at the investment amount.

(VII) Accounts and notes receivable

1. Refers to accounts and notes with the unconditional right to receive the amount of consideration exchanged for the transfer of goods or services as agreed in the contract.
2. For short-term accounts and notes receivable with unpaid interest, the impact of discounting is insignificant, and the Company measures them at the original invoice amount.

(VIII) Impairment of financial assets

On the balance sheet date each year, the Company will base the debt instrument investment at fair value through other comprehensive income and financial assets at amortized cost, and for accounts receivable that includes significant financial components and contract assets, taking into account all reasonable and probable information (including forward-looking information) for financial assets whose credit risk has not increased significantly since initial recognition, conducts the following: If the credit risk has increased significantly since initial recognition, the allowance for loss is measured at the expected credit loss over the period of time; for accounts receivable that do not contain significant financial components, the allowance for loss is measured at the expected credit loss over the duration.

(IX) Derecognition of financial assets

When the contractual right to receive the cash flow from the financial asset expires, the financial asset will be derecognized.

(X) Inventory

Inventories are recognized at the actual cost obtained. The cost is calculated using the weighted average method. The ending inventory is measured at the lower of cost or net realizable value. When comparing cost or net realizable value, whichever is lower, the item-by-item comparison method is adopted. The net realizable value refers to the balance of the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost of sale.

(XI) Property, plant and equipment

1. Property, plant and equipment are recorded at acquisition cost.
2. The subsequent cost is included in the book value of the asset or recognized as an individual asset only when the future economic benefits related to the item are likely to flow into the Company and the cost of the item can be reliably measured. The book value of the replaced part shall be derecognized. All other maintenance expenses are recognized in profit or loss for the current period when incurred.
3. The equipment is measured at cost subsequently, and depreciation is accrued using the straight-line method according to the estimated useful years. Significant components of the equipment are depreciated separately.
4. The Company reviews the residual value, useful life and depreciation method of each asset at the end of each fiscal year. If the residual value and the expected useful life are different from the previous estimates, or there is a significant change in the expected consumption

pattern of the future economic benefits contained in the asset, from the date of occurrence of the change, the treatment is handled in accordance with the provisions of IAS No. 8 "Accounting Policies, Changes in Accounting Estimates and Errors" for changes in accounting estimates. The durability of each asset is as follows:

Machinery and equipment	3 - 8 years
Lease improvement	1 - 5 years
Other equipment	3 - 6 years

(XII) Lessee's lease transactions - right-of-use assets/lease liabilities

1. Lease assets are recognized as right-of-use assets and lease liabilities on the date they are available for use by the Company. When the lease contract is a short-term lease or the lease of the underlying asset of low value, the lease payment is recognized as expenses using the straight-line method over the lease period.
2. Lease liabilities are recognized by discounting the unpaid lease payments at the present value of the Company's incremental borrowing rate at the commencement date of the lease. Lease payments are fixed payments less any lease incentives receivable. They are subsequently measured at amortized cost using the interest method, with interest expense recognized over the lease terms. When the lease period or lease payment changes, other than contract modification, the lease liabilities will be reassessed and the right-of-use assets will be remeasured.
3. The right-of-use asset is recognized at cost on the lease start date, and the cost is the originally measured amount of the lease liability. The subsequent measurement is based on the cost model, and the depreciation expense is recognized at the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. When the lease liability is reassessed, the right-of-use asset adjusts any remeasurement of the lease liability.

(XIII) Intangible assets

1. Patents and know-how
Patents and know-how are recognized at acquisition cost, and amortized using the straight-line method over the years of estimated economic benefits.
2. Computer software
Computer software is recognized at acquisition cost and amortized using the straight-line method over the estimated useful lives.

(XIV) Impairment of non-financial assets

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount. When the recoverable amount is lower than the asset's carrying amount, an impairment loss is recognized. The recoverable amount is the fair value of an asset less the cost of disposal or its value in use, whichever is higher. When the impairment loss of the asset recognized in prior years does not exist or decreases, the impairment loss is reversed. However, the book value of the asset increased by the reversal of the impairment loss shall not exceed the depreciation or amortization of the asset if the impairment loss is not recognized the book value thereafter.

(XV) Borrowings

Long-term and short-term borrowings from banks. The Company measures their fair value less transaction costs at the time of initial recognition, and subsequently, for any difference between the price after deducting transaction costs and the redemption value, the effective interest method is used to recognize interest expenses in the outstanding period according to the amortization procedure in profit or loss.

(XVI) Accounts and notes payable

1. Refers to debts incurred from the purchase of raw materials, commodities or labor services on credit, and notes payable due to business and non-business reasons.
2. For short-term accounts and notes payable with unpaid interest, the impact of discounting is insignificant, and the Company measures them at the original invoice amount.

(XVII) Derecognition of financial liabilities

The Company derecognizes financial liabilities when its contractual obligations are fulfilled, cancelled or expired.

(XVIII) Provision for liabilities

The provision for warranty liabilities is recognized when there is a present legal or constructive obligation due to a past event, and it is probable that the outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. The reserve for liabilities shall be measured based on the best estimated present value of the expenditure required to settle the obligation on the balance sheet date. The discount rate is based on the pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the liability, and recognized as interest expense. No liability reserve shall be recognized for future operating losses.

(XIX) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured by the non-discounted amount expected to be paid, and are recognized as expenses when the related services are provided.

2. Pension

For the defined contribution plan, the amount that should be contributed to the pension fund is recognized as the current pension cost on an accrual basis. Prepaid allocations are recognized as assets within the scope of refundable cash or reduced future payments.

3. Remuneration to employees and directors/supervisors

Employee remuneration and remuneration of directors and supervisors are recognized as expenses and liabilities when they have legal or constructive obligations and the amount can be reasonably estimated. If there is any discrepancy between the actual distributed amount and the estimated amount, it will be treated as a change in accounting estimates.

(XX) Employee share-based payment

Restricted employee shares:

1. On the grant date, the remuneration cost is recognized in the vested period based on the fair value of the equity instruments given.
2. For restricted shares with unrestricted dividend rights, if employees are not required to return dividends received upon resignation during the vesting period, the Company recognizes compensation cost based on the fair value of dividends attributable to employees who are expected to resign during the vesting period, recorded on the dividend declaration date.
3. Employees are not required to pay any consideration for restricted shares granted. Restricted shares that do not meet vesting conditions due to employee resignation are regarded as forfeited from the effective date of resignation. The Company will recover and cancel these shares in accordance with regulations, and reverse previously recognized compensation costs and other equity accordingly.

(XXI) Income tax

1. Income tax expenses include current and deferred income tax. Income tax is recognized in profit or loss, except when income tax relating to items recognized in other comprehensive income or recognized directly in equity.
2. The Company calculates current income tax based on tax rates enacted or substantively enacted at the balance sheet date, according to the jurisdictions where the Company operates and generates taxable income. Management regularly assesses tax filing positions in accordance with applicable income tax laws and recognizes income tax liabilities when appropriate, based on the estimated taxes payable to the relevant tax authorities. Income tax imposed on undistributed earnings, as stipulated by the Income Tax Act, is recognized as income tax expense in the year following the year in which earnings are generated, after the shareholders' meeting approves the earnings distribution.
3. Deferred income tax is recognized based on the temporary difference generated between the tax bases of assets and liabilities and their book values in the Statement of Financial Position using the Statement of Financial Position method. Deferred income tax is subject to the tax rate (and tax law) that has been enacted or substantively enacted on the Statement of Financial Position date and is expected to apply when the relevant deferred income tax assets are realized or deferred income tax liabilities are settled.
4. Deferred income tax assets shall be recognized when the temporary difference is likely to be used to offset future taxable income, and the unrecognized and recognized deferred income tax assets shall be re-evaluated on each Statement of Financial Position date.

(XXII) Share capital

Common shares are classified as equity. The incremental cost directly attributable to the issuance of new shares or stock options is recognized as a deduction in equity, net of income tax.

(XXIII) Dividend distribution

Dividends distributed to the Company's shareholders are recognized in the financial statements when the dividend distribution is resolved in the shareholders' meeting. Cash dividends are recognized as liabilities and stock dividends are recognized as stock dividends to be distributed and transferred to common shares on the base date of issuance of new shares.

(XXIV) Revenue recognition

1. Revenue from gas detection equipment
 - (1) The Company manufactures and sells products related to air quality monitors. Revenue is the fair value of the consideration received or receivable in the course of business activities, expressed as the net of sales tax, sales returns, volume discounts and allowances. Revenue from the sale of goods is recognized when the goods are delivered to the buyer, the sales amount can be reliably measured, and it is probable that future economic benefits will flow into the enterprise. When the significant risks and rewards related to ownership have been transferred to the customer, the Company neither continuously participates in the management nor maintains effective control of the product, and the customer accepts the product according to the sales contract, or there is objective evidence to show that all acceptance terms have been complied with. The delivery of the product has occurred.
 - (2) Certain customer contracts include integrated sales of equipment and installation services. Since the equipment and installation services are inseparable, they are identified as a single performance obligation satisfied gradually over time. The Company recognizes revenue based on the proportion of the input cost to the estimated total cost. The customer pays the contract price according to the agreed payment schedule. When the service provided by the company exceeds the payable amount, it

is recognized as a contract asset; if the payable payment exceeds the service provided by the company, it is recognized as a contract liability.

- (3) The Company's estimates of income, cost and level of completion are revised as the circumstances change. Any increases or decreases in estimated revenue and costs resulting from changes in estimates are recognized in profit or loss in the period in which management becomes aware of circumstances leading to such revisions.

2. Service revenue Maintenance and other service income

The Company provides maintenance and monitoring data services related to air quality monitoring products. Revenue from labor provided is recognized within the financial reporting period in which services are provided to customers. If the contract with the customer includes variable consideration, when the uncertainty related to the expected variable consideration is eliminated and it is highly probable that no significant revenue reversal will result, the variable consideration is included in the transaction price.

(XXV) Government grant income

Government subsidies are recognized at fair value when it is reasonably certain that the enterprise will comply with the conditions attached to the government subsidies and that the subsidies will be received. If the nature of the government subsidies is to compensate the expenses incurred by the Company, the government subsidies shall be recognized as current profit or loss on a systematic basis in the period in which the relevant expenses are incurred.

(XXVI) Operating Department

The information of the Company's operating segments is reported in a manner consistent with the internal management reports provided to major operating decision makers. The chief operational decision-maker is responsible for allocating resources to operating departments and evaluating their performance. The identified main operational decision-maker of the Company is the board of directors.

V. Major sources of uncertainty in critical accounting judgements, estimates and assumptions

When the Company prepared these financial statements, the management used its judgment to determine the accounting policies adopted, and made accounting estimation and assumptions based on the reasonable expectations of future events as of the balance sheet date. Significant accounting estimates and assumptions may differ from actual results. Such estimates and assumptions are continually evaluated and adjusted, considering historical experience and other relevant factors. These estimates and assumptions have risks that may result in significant adjustments to the book values of assets and liabilities in the next financial year. Please refer to the following descriptions of significant accounting estimates and uncertainties of assumptions:

Important accounting estimates and assumptions

1. Valuation of inventory

Since inventories must be valued at the lower of cost or net realizable value, the Company must use its judgment and estimation to determine the net realizable value of inventories on the balance sheet date. The Company assesses the amount of inventory that is subject to normal wear and tear, obsolescence, or has no market value at the balance sheet date, and writes down the inventory cost to net realizable value. The evaluation of the inventory is mainly based on the demand for products in a specific period in the future, so there may be heavy fluctuations.

On December 31, 2024, the book value of the Company's inventories was NT\$105,438.

2. Deferred income tax assets are recognized only to the extent that it is probable that sufficient future taxable profit will be available against which the temporary differences can be utilized.

When assessing the realizability of deferred income tax assets, significant accounting judgments and estimation by the management must be involved, including assumptions such as expected future sales revenue growth and profit margin, available income tax credits, and tax planning. Any changes in the global economic environment, industrial environment and changes in laws and regulations may cause significant adjustments to deferred income tax assets.

On December 31, 2024, the deferred income tax assets recognized by the Company were NT\$45,918.

VI. Details of significant accounts

(I) Cash and cash equivalents

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Cash on hand	\$ 250	\$ 86
Checking accounts and demand deposits	273,545	376,090
Time deposits	152,785	107,467
Total	<u>\$ 426,580</u>	<u>\$ 483,643</u>

1. The financial institutions the Company deals with have good credit quality. Additionally, the Company conducts transactions with multiple financial institutions to diversify credit risk; thus, the risk of default is expected to be low.
2. The Company did not pledge any cash or cash equivalents as collateral.

(II) Financial assets measured at amortized cost

<u>Item</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Current Items:		
Time deposits of more than 3 months	<u>\$ 106,828</u>	<u>\$ 2,500</u>

1. Financial assets measured at amortized cost and recognized in profit or loss are as follows:

	<u>2024</u>	<u>2023</u>
Interest income	<u>\$ 1,579</u>	<u>\$ 32</u>

2. The Company does not pledge financial assets measured at amortized cost.
3. For information on the credit risk of financial assets measured at amortized cost, please refer to Note 12(2). The counterparties of the Company's time deposit certificates are financial institutions with good credit quality, and the probability of default is expected to be very low.

(III) Accounts and notes receivable

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Notes receivable	<u>\$ 8,172</u>	<u>\$ 531</u>
Accounts receivable	\$ 53,622	\$ 69,329
Less: Loss allowance	(1,366)	(66)
	<u>\$ 52,256</u>	<u>\$ 69,263</u>

1. The aging analysis of accounts receivable and notes receivable is as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Not overdue	\$ 55,439	\$ 61,804
Within 30 days	-	-
31-90 days	1,766	5,557
91-180 days	-	1,218
181-360 days	3,279	1,250

More than 361 days	1,310	31
	<u>\$ 61,794</u>	<u>\$ 69,860</u>

The above is an aging analysis based on the number of overdue days.

- The balances of accounts and notes receivable as of December 31, 2024 and 2023 arose entirely from customer contracts. Additionally, the receivables balance from customer contracts as of January 1, 2023 was NT\$109,481.
- The Company does not hold any collateral for accounts receivable.
- Without considering the collateral or other credit enhancements held, the maximum amount of credit risk exposure that best represents the Company's notes and accounts receivable on December 31, 2024 and 2023 is the book value.

(IV) Inventory

	December 31, 2024		
	Cost	Allowance for devaluation losses	Book value
Raw materials	\$ 42,286	(\$ 13,616)	\$ 28,670
Work in process	22,733	-	22,733
Semi-finished products	35,496	(7,849)	27,647
Finished goods	35,611	(9,223)	26,388
Total	<u>\$ 136,126</u>	<u>(\$ 30,688)</u>	<u>\$ 105,438</u>

	December 31, 2023		
	Cost	Allowance for devaluation losses	Book value
Raw materials	\$ 49,828	(\$ 11,593)	\$ 38,235
Work in process	16,024	-	16,024
Semi-finished products	41,602	(8,665)	32,937
Finished goods	22,460	(10,731)	11,729
Total	<u>\$ 129,914</u>	<u>(\$ 30,989)</u>	<u>\$ 98,925</u>

- Inventory cost recognized as expense losses by the Company in the current period:

	2024	2023
Cost of sold inventory	\$ 105,406	\$ 64,928
Labor service cost	78,945	72,325
Warranty cost	6,640	9,326
Loss (reversal) on inventory valuation (301)	5,712
Inventory deficit	-	65
	<u>\$ 190,690</u>	<u>\$ 152,356</u>

In 2024, the Company recognized a reversal of inventory valuation losses due to the sale of inventories previously written down in prior years, resulting in a recovery of the net realizable value and a corresponding reduction in inventory cost.

- The Company does not pledge or guarantee the Company's inventory.

(V) Property, plant and equipment

	<u>Machinery and equipment</u>	<u>Lease improvement</u>	<u>Other equipment</u>	<u>Equipment pending acceptance</u>	<u>Total</u>
January 1, 2024					
Cost	\$ 58,550	\$ 17,032	\$ 15,539	\$ 41	\$ 91,162
Accumulated depreciation	(32,486)	(14,687)	(13,835)	-	(61,008)
	<u>\$ 26,064</u>	<u>\$ 2,345</u>	<u>\$ 1,704</u>	<u>\$ 41</u>	<u>\$ 30,154</u>
<u>2024</u>					
January 1	\$ 26,064	\$ 2,345	\$ 1,704	\$ 41	\$ 30,154
Additions	2,314	436	1,072	4,785	8,607
Reclassification	-	41	-	(41)	-
Transfer from inventories	1,296	-	-	-	1,296
Depreciation expense	(8,502)	(1,916)	(1,518)	-	(11,936)
December 31	<u>\$ 21,172</u>	<u>\$ 906</u>	<u>\$ 1,258</u>	<u>\$ 4,785</u>	<u>\$ 28,121</u>
December 31, 2024					
Cost	\$ 56,018	\$ 17,509	\$ 16,325	\$ 4,785	\$ 94,637
Accumulated depreciation	(34,846)	(16,603)	(15,067)	-	(66,516)
	<u>\$ 21,172</u>	<u>\$ 906</u>	<u>\$ 1,258</u>	<u>\$ 4,785</u>	<u>\$ 28,121</u>
	<u>Machinery and equipment</u>	<u>Lease improvement</u>	<u>Other equipment</u>	<u>Equipment pending acceptance</u>	<u>Total</u>
January 1, 2023					
Cost	\$ 46,644	\$ 14,529	\$ 16,996	\$ -	\$ 78,169
Accumulated depreciation	(24,878)	(10,444)	(12,724)	-	(48,046)
	<u>\$ 21,766</u>	<u>\$ 4,085</u>	<u>\$ 4,272</u>	<u>\$ -</u>	<u>\$ 30,123</u>
<u>2023</u>					
January 1	\$ 21,766	\$ 4,085	\$ 4,272	\$ -	\$ 30,123
Additions	8,777	2,576	-	41	11,394
Disposals	(1,486)	-	-	-	(1,486)
Transfer from inventories	5,098	-	-	-	5,098
Depreciation expense	(8,091)	(4,316)	(2,568)	-	(14,975)
December 31	<u>\$ 26,064</u>	<u>\$ 2,345</u>	<u>\$ 1,704</u>	<u>\$ 41</u>	<u>\$ 30,154</u>
December 31, 2023					
Cost	\$ 58,550	\$ 17,032	\$ 15,539	\$ 41	\$ 91,162
Accumulated depreciation	(32,486)	(14,687)	(13,835)	-	(61,008)
	<u>\$ 26,064</u>	<u>\$ 2,345</u>	<u>\$ 1,704</u>	<u>\$ 41</u>	<u>\$ 30,154</u>

(VI) Lease transactions - Lessee

1. The underlying assets leased by the Company include buildings and official vehicles. The lease contract term is usually between 1 and 6 years. Lease contracts are negotiated individually and contain various terms and conditions. No other restrictions are imposed except that the leased assets may not be used as loan guarantees.

2. Carrying amounts of right-of-use assets and related depreciation expense are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>Book value</u>	<u>Book value</u>
Office	\$ 10,017	\$ 19,947
Transportation equipment (official vehicle)	333	905
	<u>\$ 10,350</u>	<u>\$ 20,852</u>

	<u>2024</u>	<u>2023</u>
	<u>Depreciation expense</u>	<u>Depreciation expense</u>
Office	\$ 9,930	\$ 9,493
Transportation equipment (official vehicle)	572	400
	<u>\$ 10,502</u>	<u>\$ 9,893</u>

3. The increase in the Company's right-of-use assets in 2024 and 2023 were NT\$0 and NT\$25,458, respectively.

4. Items related to lease contracts recognized in profit or loss are as follows:

	<u>2024</u>	<u>2023</u>
<u>Items affecting current profit and loss</u>		
Interest expense of lease liabilities	\$ 335	\$ 396
Expenses of short-term lease contracts	\$ 1,764	\$ 2,927
Expenses of low-value asset lease	\$ 89	\$ 86

5. Total cash outflow for lease expenditures in 2024 and 2023 amounted to NT\$12,798 and NT\$12,922, respectively.

(VII) Intangible assets

	<u>Patents and IP</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2024			
Cost	\$ 134,897	\$ 7,798	\$ 142,695
Accumulated amortization	(89,131)	(6,222)	(95,353)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 44,244</u>	<u>\$ 1,576</u>	<u>\$ 45,820</u>
<u>2024</u>			
January 1	\$ 44,244	\$ 1,576	\$ 45,820
Increase in the current period	-	1,095	1,095
Current amortization	(9,570)	(1,170)	(10,740)
December 31	<u>\$ 34,674</u>	<u>\$ 1,501</u>	<u>\$ 36,175</u>
December 31, 2024			
Cost	\$ 134,897	\$ 8,893	\$ 143,790
Accumulated amortization	(98,701)	(7,392)	(106,093)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 34,674</u>	<u>\$ 1,501</u>	<u>\$ 36,175</u>
	<u>Patents and IP</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2023			
Cost	\$ 134,897	\$ 5,986	\$ 140,883
Accumulated amortization	(79,562)	(4,313)	(83,875)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 53,813</u>	<u>\$ 1,673</u>	<u>\$ 55,486</u>
<u>2023</u>			
January 1	\$ 53,813	\$ 1,673	\$ 55,486
Increase in the current period	-	1,812	1,812
Current amortization	(9,569)	(1,909)	(11,478)
December 31	<u>\$ 44,244</u>	<u>\$ 1,576</u>	<u>\$ 45,820</u>
December 31, 2023			
Cost	\$ 134,897	\$ 7,798	\$ 142,695
Accumulated amortization	(89,131)	(6,222)	(95,353)
Accumulated impairment	(1,522)	-	(1,522)
	<u>\$ 44,244</u>	<u>\$ 1,576</u>	<u>\$ 45,820</u>

- The details of amortization of intangible assets are as follows:

	2024	2023
Administrative expenses	\$ 840	\$ 1,394
Research and development expenses	9,900	10,084
Total	<u>\$ 10,740</u>	<u>\$ 11,478</u>

- The Company acquired the gas detection and analysis patent and specialized technology from the related party TRICORNTECH CORPORATION in 2013 and 2017, respectively.

(VIII) Other payables

	December 31, 2024	December 31, 2023
Salaries and bonuses payable	\$ 37,969	\$ 30,061
Employees' and directors' remuneration payable	15,057	8,494
Payable commission	17,652	13,987
Service expense payable	5,218	4,324
Payables on equipment	11	206
Others	9,856	7,341
	<u>\$ 85,763</u>	<u>\$ 64,413</u>

(IX) Long-term borrowings

Nature of loan	Duration and repayment method	Interest rate range	Collaterals	December 31, 2023
Loans to be repaid in installments				
Secured loans	From February 23, 2021 to February 23, 2024, the principal was amortized evenly over 36 months, and the interest was paid monthly	2.06%	None	<u>\$ 1,667</u>
				1,667
Less: Long-term borrowings due within one year or one business cycle				<u>(1,667)</u>
				<u>\$ -</u>

As of December 31, 2024: None.

- Interest expenses recognized in profit or loss for 2024 and 2023 amounted to NT\$3 and NT\$141, respectively.
- The above long-term borrowing facilities are jointly guaranteed by the Chairman of the Company.

(X) Pension expense

In accordance with the "Labor Pension Act," the Company has established a retirement contribution allocation policy, which is applicable to employees that are natural citizens. For the employees who choose to apply the labor pension system under the "Labor Pension Act", the Company contributes 6% of the monthly salary to the individual accounts of the employees with the Labor Insurance Bureau. The pension payment for the employees is based on the individual pension accounts of the employees and the amount of accumulated income withdrawn as monthly pension or one-time lump sum.

In 2024 and 2023, the pension cost recognized by the Company in accordance with the above regulations on pensions was NT\$5,766 and NT\$5,486, respectively.

(XI) Share-based payment

1. As of December 31, 2024, the Company's share-based payment agreements are as follows:

Type of agreement	Grant date	Quantity granted (Unit) (Note 1)	Vested conditions	Duration of contract
Employee stock option plan J	2016.12.30	2,000.00	1~4 years service	10 years (Note 2)
Employee stock option plan M	2021.07.01	2,464.20	1~4 years service	10 years (Note 2)
Employee stock option plan O	2022.06.06	506.80	1~4 years service	10 years (Note 3)
Restricted employee shares plan A	2024.08.30	600.00	1 to 4 years of service and performance conditions	4 years

Note 1: Each unit is entitled to 1,000 shares.

Note 2: Pursuant to the Company's Regulations Governing the Issuance of Employee Stock Option Certificates and Stock Subscription, employees who meet the conditions set by the Company may exercise the vested stock in advance with the consent of the Board of Directors when the Company applies for a public offering of stock or for Emerging Stock Board listing. The above conditions were agreed in December 2021 and the Chairman was authorized to handle the matter. The Chairman of the Company approved and announced the relevant early enforcement measures in December 2021, and set a batch base date between February and March 2022.

Note 3: The chairman of the Company approved the announcement of the relevant early enforcement measures in January 2023, and set the batch base date between January and February 2023.

- (1) All the share-based payment arrangements mentioned above are equity-settled.
- (2) For restricted employee shares issued by the Company, shares that do not meet the vesting conditions due to employee resignation are considered forfeited from the effective date of resignation. Such shares will be reclaimed and canceled by the Company in accordance with regulations. Before meeting the vesting conditions, holders of restricted shares are entitled to rights identical to common shares already issued by the Company, including but not limited to dividends, bonus shares, the distribution of capital surplus, and subscription rights to cash capital increases. Restricted shares granted but not yet vested cannot be sold, pledged, transferred, gifted, or otherwise disposed of, except through inheritance.

2. Details of the above share-based payment agreements are as follows:

(1) Employee stock options

	2024		2023	
	Quantity of stock options (Thousand shares)	Weighted average exercise price (NTD)	Quantity of stock options (Thousand shares)	Weighted average exercise price (NTD)
Outstanding stock options at the beginning of January 1	729	\$ 15.00	1,462	\$ 15.91
Stock options waived and expired in the current period	-	-	(6)	15.00
Stock options exercised in the current period	(249)	15.00	(727)	15.51
Number of outstanding shares at the end of December 31	<u>480</u>	15.00	<u>729</u>	15.00
Stock options not exercisable as of December 31	<u>175</u>		<u>169</u>	

(2) Restricted employee shares

	2024
	Quantity of stock options (Thousand shares)
Unvested shares, January 1	-
Shares issued during the period	600
Shares forfeited during the period (Note)	(20)
Unvested shares, December 31	<u>580</u>

Note: Please refer to Note 6(13)2. for details.

3. The maturity date and exercise price of the outstanding stock options at the Statement of Financial Position date are as follows:

Approved date of issuance	Maturity date	December 31, 2024		December 31, 2023	
		Number of shares (Thousand shares)	Exercise price (NTD) (Note)	Number of shares (Thousand shares)	Exercise price (NTD) (Note)
December 30, 2016	December 29, 2026	19	15.0	22	15.0
July 1, 2021	June 30, 2031	274	15.0	513	15.0
June 6, 2022	June 5, 2032	187	15.0	194	15.0

Note: Due to the capital increase from retained earnings by the Company in July 2023, the exercise price of the employee stock options was adjusted in accordance with the provisions of the Regulations Governing Employee Stock Options.

4. The Company used the Black-Scholes option evaluation model for the share-based payment transaction on the grant date to estimate the fair value of the stock option. Relevant information is as follows:

Type of agreement	Grant date	Stock price (NTD)	Exercise price per share (NTD)	Expected weighted average volatility	Expected duration (Year)	Expected dividend yield	Risk-free interest rate	Fair value per share (NTD)
Employee stock option plan J	2016.12.30	16.44 (Note 1)	16.0	32.47% (Note 3)	6.25	0.00%	1.08%~1.14%	5.7319
Employee stock option plan M	2021.07.01	14.20 (Note 1)	16.0	31.04% (Note 3)	6.25	0.00%	0.31%~0.35%	3.8075
Employee stock option plan O	2022.06.06	15.63 (Note 1)	16.0	31.4% (Note 3)	6.25	0.00%	1.10%~1.15%	5.0229
Restricted employee shares plan A	2024.08.30	37.00 (Note 2)	-	NA	NA	NA	NA	37.00

Note 1: The Company was not a publicly traded company at the time of issuing the warrants, so the income from the cash flow method was used to calculate the weighted average stock price by taking into account liquidity discounts.

Note 2: When issuing restricted employee shares, the Company was listed on the Emerging Stock Board of the Taipei Exchange; therefore, the share price used was the closing price on the Emerging Stock Board as of the grant date.

Note 3: The expected volatility is estimated based on the standard deviation during a sample interval of the latest stock prices of TWSE/TPEX-listed companies in the same industry that is approximately equivalent to the expected duration of the stock option.

5. The remuneration costs recognized by the Company for the above equity-settled share-based payment transactions in 2024 and 2023 were NT\$4,019 and NT\$2,149, respectively.

(XII) Provision for liabilities

The changes in warranty provisions are as follows:

	2024	2023
Balance as of January 1	\$ 6,837	\$ 7,373
Provisions for liabilities added in the current period	6,640	9,326
Provisions for liabilities used in the current period	(4,143)	(9,862)
Balance as of December 31	<u>\$ 9,334</u>	<u>\$ 6,837</u>

The warranty liability provisions of the Company are primarily associated with the sales of gas detection equipment and are estimated based on the historical warranty data of the product.

(XIII) Share capital

1. As of December 31, 2024, the Company's registered capital and paid-in capital were NT\$1,200,000 and NT\$610,640, respectively, for 61,064 thousand shares with a par value of NT\$10 per share. The payment for the issued shares of the Company has been received.

2. The reconciliation of the number of outstanding common shares at the beginning and end of the year is as follows:

	Unit: Thousand shares	
	2024	2023
January 1	\$ 60,235	\$ 55,875
Exercise of employee stock options	249	727
Capital increase from retained earnings	-	3,633
Issuance of restricted employee shares	600	-
Cancellation of restricted employee shares (Note)	(20)	-
December 31	<u>\$ 61,064</u>	<u>\$ 60,235</u>

Note: Pursuant to the Company's Regulations Governing Restricted Employee Shares, shares not meeting the vesting conditions were reclaimed without consideration and canceled. The change in registration was completed on January 15, 2025.

3. On August 7, 2024, the Board of Directors resolved to issue restricted employee shares (see Note 6(11)). The issuance date was August 30, 2024, with an issue price of NT\$0 per share. The rights and obligations of the newly issued common shares are the same as other issued common shares, except that the transfer of such shares is restricted until the vesting conditions are met.

(XIV) Additional paid-in capital

1. Pursuant to the Company Act, the premium from the issuance of shares above par value and the capital surplus from the receipt of gifts may be used to offset losses. If the Company has no accumulated losses, new shares shall be issued or cash is to be paid in proportion to the original shares. The Company may not use the additional paid-in capital to cover the capital deficit when the surplus reserve is insufficient to cover it.
2. Changes in additional paid-in capital are as follows:

	2024				
	Issuance premium	Employee stock options	Restricted employee shares	Others	Total
January 1	\$ 51,713	\$ 2,215	\$ -	\$ 1,367	\$ 55,295
Compensation cost for employee stock options	-	556	-	-	556
Execution of employee stock options	2,228	(982)	-	-	1,246
Issuance of restricted employee shares	-	-	16,200	-	16,200
Cancellation of restricted employee shares	-	-	(540)	-	(540)
December 31	<u>\$ 53,941</u>	<u>\$ 1,789</u>	<u>\$ 15,660</u>	<u>\$ 1,367</u>	<u>\$ 72,757</u>

	2023			
	Issuance premium	Employee stock options	Others	Total
January 1	\$ 40,394	\$ 8,321	\$ 427	\$ 49,142
Compensation cost for employee stock options	-	2,149	-	2,149
Execution of employee stock options	11,319	(7,315)	-	4,004
Expiration of employee stock warrants	-	(940)	940	-
December 31	\$ 51,713	\$ 2,215	\$ 1,367	\$ 55,295

(XV) Retained earnings

- In accordance with the Company's Articles of Incorporation, dividends and bonuses are distributed to shareholders in proportion to the number of shares held. If the Company has no earnings, it shall not distribute dividends and bonuses. The Company's annual earnings, if any, shall be distributed in the following order:
 - Payment of taxes.
 - Make up for accumulated losses.
 - Appropriate 10% for the legal reserve, except when the legal reserve has reached the amount of the Company's total paid-in capital.
 - Appropriate or reverse special reserve according to laws or regulations.
 - The undistributed earnings accumulated in the previous year shall be set aside in whole or in part as the earnings available for distribution. The Board of Directors shall draft the earnings appropriation depending on the actual operating conditions. When the distribution method is via the issuance of new shares, the distribution can only be processed after submitting the plan to the shareholders meeting for resolution.
- The Company is now in a growth period. The dividend policy adopted is the residual dividend policy. It will be determined based on the current and future investment environment, capital needs, domestic and international competition, capital budget, shareholders' interests and other factors. After retaining an appropriate amount based on the relevant operation needs, the distributable earnings shall be allocated to shareholders in the form of dividends, and the proportion of cash dividends distributed shall not be less than 10% of the total dividends. Cash dividends shall be approved by a special resolution of the Board of Directors and reported at the shareholders' meeting.
- On May 27, 2024, the shareholders' meeting approved the 2023 earnings distribution proposal, and on May 29, 2023, the shareholders' meeting approved the 2022 earnings distribution proposal. Details are as follows:

	2023		2022	
	Amount	Dividends per share (NTD)	Amount	Dividends per share (NTD)
Legal reserve	\$ 9,312		\$ 8,028	
Shareholders' stock dividend	-	\$ -	36,327	\$ 0.64
Shareholders' cash dividends	48,188	0.8	4,036	0.07
	\$ 57,500		\$ 48,391	

4. On March 11, 2025, the Board of Directors proposed and approved the distribution of earnings for 2024. The details are as follows:

	2024	
	Amount	Dividends per share (NTD)
Legal reserve	\$ 9,332	
Shareholders' cash dividends	67,170	1.1
	<u>\$ 76,502</u>	

(XVI) Operating revenue

	2024		2023	
Revenue from gas detection equipment	\$	315,246	\$	226,546
Maintenance and other service income		180,816		180,091
Total	\$	<u>496,062</u>	\$	<u>406,637</u>

1. Breakdown of revenue from contracts with customers

The Company's revenue comes from the provision of goods and services that are gradually transferred over time and transferred at a certain point in time. The revenue can be subdivided into the following:

<u>2024</u>	Revenue from gas detection equipment	Maintenance and other service income	Total
Taiwan	\$ 111,884	\$ 125,283	\$ 237,167
China	98,483	25,107	123,590
Japan	25,644	7,663	33,307
Singapore	5,018	6,810	11,828
North America	74,217	15,185	89,402
Malaysia	-	768	768
	<u>\$ 315,246</u>	<u>\$ 180,816</u>	<u>\$ 496,062</u>

<u>2023</u>	Revenue from gas detection equipment	Maintenance and other service income	Total
Taiwan	\$ 92,476	\$ 123,713	\$ 216,189
China	72,001	34,655	106,656
Japan	14,446	7,821	22,267
Singapore	30,318	4,065	34,383
North America	13,660	9,837	23,497
Malaysia	3,645	-	3,645
	<u>\$ 226,546</u>	<u>\$ 180,091</u>	<u>\$ 406,637</u>

2. Contract assets and liabilities

The contract assets and contract liabilities related to the revenue from contracts with customers recognized by the Company are as follows:

	December 31, 2024	December 31, 2023	January 1, 2023
Contract assets:			
Contract assets - sale and installation of gas detection equipment	\$ 118,678	\$ 54,422	\$ 58,589
Contract assets - maintenance and other service income	51,532	45,293	47,293
	<u>\$ 170,210</u>	<u>\$ 99,715</u>	<u>\$ 105,882</u>

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Contract liabilities:			
Contract assets - sale and installation of gas detection equipment	\$ 15,384	\$ 2,461	\$ 11,222
Contract assets - maintenance and other service income	5,017	12,049	9,685
Total	<u>\$ 20,401</u>	<u>\$ 14,510</u>	<u>\$ 20,907</u>

Recognized income of contract liabilities at the beginning of the period

	<u>2024</u>	<u>2023</u>
Opening balance of contract liabilities		
Recognized as income in the current period	<u>\$ 14,510</u>	<u>\$ 19,656</u>

(XVII) Other gains and losses

	<u>2024</u>	<u>2023</u>
Net foreign exchange gain	\$ 13,723	\$ 2,559
Gain on disposal of property, plant and equipment	-	388
Others	(80)	-
Total	<u>\$ 13,643</u>	<u>\$ 2,947</u>

(XVIII) Financial cost

	<u>2024</u>	<u>2023</u>
Interest expense:		
Interest on lease liabilities	\$ 335	\$ 396
Borrowing interest	3	141
Others	1	-
Total	<u>\$ 339</u>	<u>\$ 537</u>

(XIX) Additional information on nature of expenses

	<u>2024</u>	<u>2023</u>
Employee welfare expenses	\$ 183,385	\$ 164,363
Depreciation expense of property, plant and equipment (including right-of-use assets)	<u>\$ 22,438</u>	<u>\$ 24,868</u>
Amortization expense of intangible assets	<u>\$ 10,740</u>	<u>\$ 11,478</u>

(XX) Employee welfare expenses

	<u>2024</u>	<u>2023</u>
Salary expenses	\$ 149,694	\$ 128,252
Share-based compensation expense	4,019	2,149
Labor and health insurance premiums	11,400	11,141
Pension expense	5,766	5,486
Directors' Remuneration	5,740	4,572
Other employee expenses	6,766	6,849
Total	<u>\$ 183,385</u>	<u>\$ 158,449</u>

1. If the Company has profit for the year (i.e., profit before tax and before the deduction of employees' and directors' remuneration), it shall allocate remuneration to employees and directors. However, if there is accumulated deficit, it shall first be offset before any allocation. However, if the Company still has accumulated deficits, it shall reserve the

amount to compensate.

- (1) Employees' remuneration shall be appropriated at no less than 5% of the aforementioned basis;
 - (2) The remuneration to directors and supervisors shall be appropriated at no more than 3% of the calculation basis referred to in the preceding paragraph.
 - (3) Employees' remuneration may be paid in the form of shares or cash, and the recipients of the remuneration may include employees of controlled subsidiaries that meet certain criteria.
 - (4) The remuneration to employees and remuneration to directors and supervisors referred to in the preceding paragraph shall be implemented by resolution of the board of directors with the attendance of more than two-thirds of the directors and with the consent of a majority of the directors present, and shall be reported to the shareholders' meeting.
2. The estimated amounts of employees' remuneration for 2024 and 2023 were NT\$11,449 and NT\$6,177, respectively; and the estimated amounts of directors' remuneration were NT\$3,435 and NT\$2,316, respectively. The aforementioned amounts were recognized under salary expenses.
 3. The employees' and directors' remuneration for 2023, as approved by the Board of Directors on March 8, 2024, were consistent with the amounts recognized in the 2023 financial statements.
 4. Information regarding employees' and directors' remuneration approved by the Board of Directors can be found on the Market Observation Post System (MOPS).

(XXI) Income tax

1. Income tax benefits

(1) Components of income tax expense:

	2024	2023
Current income tax:		
Income tax on current income	\$ -	\$ -
Imposing surtax on undistributed earnings	1,547	703
Overestimated income tax in previous years	174	(2)
Total income tax for the period	1,721	701
Deferred income tax:		
Original reversal of temporary difference	4,693	(25,094)
Income tax expense (benefit)	\$ 6,414	(\$ 24,393)

(2) Relationship between income tax expense and accounting profit

	2024	2023
Income tax on net profit before tax calculated at the statutory tax rate	\$ 19,946	\$ 13,745
Expenses to be removed in accordance with the tax law	52	236
Overestimated income tax in previous years	174	(2)
Imposing surtax on undistributed earnings	1,547	703
Assessment of realizable changes in deferred income tax assets	(15,305)	(39,075)
Income tax expense (benefit)	\$ 6,414	(\$ 24,393)

2. The amounts of deferred income tax assets or liabilities arising from temporary differences and tax losses are as follows:

2024				
	January 1	Recognized in profit or loss	Recognized in equity	December 31
Deferred income tax assets:				
Valuation of inventory allowance	\$ 6,198	(\$ 60)	\$ -	\$ 6,138
Warranty provisions	1,368	499	-	1,867
Allowance for bad debt	-	150	-	150
Others	905	(4)		901
Taxable losses	39,576	(2,714)	-	36,862
Subtotal	<u>\$ 48,047</u>	<u>(\$ 2,129)</u>	<u>\$ -</u>	<u>\$ 45,918</u>
Deferred income tax liabilities:				
Unrealized exchange gain	(1,880)	(2,564)	-	(4,444)
Total	<u>\$ 46,167</u>	<u>(\$ 4,693)</u>	<u>\$ -</u>	<u>\$ 41,474</u>
2023				
	January 1	Recognized in profit or loss	Recognized in equity	December 31
Deferred income tax assets:				
Valuation of inventory allowance	\$ 5,343	\$ 855	\$ -	\$ 6,198
Warranty provisions	1,475	(107)	-	1,368
Allowance for bad debt	203	(203)	-	-
Others	718	187		905
Taxable losses	15,198	24,378	-	39,576
Subtotal	<u>\$ 22,937</u>	<u>\$ 25,110</u>	<u>\$ -</u>	<u>\$ 48,047</u>
Deferred income tax liabilities:				
Unrealized exchange gain	(1,864)	(16)	-	(1,880)
Total	<u>\$ 21,073</u>	<u>\$ 25,094</u>	<u>\$ -</u>	<u>\$ 46,167</u>

3. The effective period of the Company's unused tax losses and the related amount of unrecognized deferred income tax assets are as follows:

December 31, 2024					
Year of occurrence	Authorized Amount	Amount yet to be credited	Amount of deferred tax assets not recognized	Last year of credit	
2017	\$ 87,010	\$ 60,429	\$ -	2027	
2018	64,610	64,610	-	2028	
2019	59,269	59,269	-	2029	
Total	\$ 210,889	\$ 184,308	\$ -		

December 31, 2023					
Year of occurrence	Authorized Amount	Amount yet to be credited	Amount of deferred tax assets not recognized	Last year of credit	
2016	\$ 73,038	\$ 63,532	\$ -	2026	
2017	87,010	87,010	-	2027	
2018	64,610	64,610	17,272	2028	
2019	59,269	59,269	59,269	2029	
Total	\$ 283,927	\$ 274,421	\$ 76,541		

4. The income tax on the Company's profit-seeking business has been approved by the competent tax collection authority up to 2022.

(XXII) Earnings per share

	2024		
	After-tax amount	Weighted average outstanding shares (Thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 93,316	60,321	\$ 1.55
<u>Diluted earnings per share</u>			
Net income attributable to common shareholders	93,316	60,321	
Employee stock options	-	404	
Restricted employee shares	-	46	
Remuneration to employees	-	313	
	\$ 93,316	61,084	\$ 1.53
	2023		
	After-tax amount	Weighted average outstanding shares (Thousand shares)	Earnings per share (NTD)
<u>Basic earnings per share</u>			
Net income attributable to common shareholders	\$ 93,117	60,021	\$ 1.55
<u>Diluted earnings per share</u>			
Net income attributable to common shareholders	93,117	60,021	
Employee stock options	-	542	
Remuneration to employees	-	338	
	\$ 93,117	60,901	\$ 1.53

(XXIII) Supplementary information on cash flow

1. Investing activities involving partial cash payments only:

	2024	2023
Acquisition of property, plant and equipment	\$ 8,607	\$ 11,394
Add: Equipment payable at beginning of period	206	-
Less: Equipment payable at end of period	(11)	(206)
Cash paid during the current period	<u>\$ 8,802</u>	<u>\$ 11,188</u>

2. Financing activities not affecting cash flows:

	2024	2023
Appropriation of stock dividends	\$ -	\$ 36,327

(XXIV) Changes in liabilities from financing activities

	Long-term borrowings	Lease liabilities
January 1, 2024	\$ 1,667	\$ 21,153
Changes in cash flow from financing	(1,667)	(10,610)
Interest paid	-	(335)
Interest expense	-	335
December 31, 2024	<u>\$ -</u>	<u>\$ 10,543</u>

	Long-term borrowings	Lease liabilities
January 1, 2023	\$ 11,667	\$ 5,208
Changes in cash flow from financing	(10,000)	(9,513)
Interest paid	-	(396)
Interest expense	-	396
Other non-cash changes – Increase in right-of-use assets	-	25,458
December 31, 2023	<u>\$ 1,667</u>	<u>\$ 21,153</u>

VII. Related party transactions

(I) Names of related parties and their relationship

Name of related party	Relationship with the Company
Leo WANG	Chairman of the Company

(II) Significant transactions with related parties

The Chairman of the Company provided the Company with a joint guarantee for the loan from Taishin Bank. Please refer to Note VI (IX) for the details of the loan period and repayment method.

(III) Remuneration of key managerial officers

	2024	2023
Salary and short-term employee benefits	\$ 35,385	\$ 30,118
Share-based payment	1,464	725
Total	<u>\$ 36,849</u>	<u>\$ 30,843</u>

VIII. Pledged assets

None.

IX. Significant contingent liabilities and unrecognized contract commitments

None.

X. Significant disaster loss

None.

XI. Significant events after the balance sheet date

1. Please refer to Note 6(15) for details.
2. On March 11, 2025, the Board of Directors resolved to conduct a capital increase through the issuance of 6,079 thousand new shares in connection with the Company's plan for an initial public offering. The total proceeds to be raised will be determined based on the number of shares issued and the actual issue price per share.
3. To attract and retain senior executives and key professional talent, the Board of Directors, on March 11, 2025, resolved to issue 900 thousand restricted employee shares, each with a par value of NT\$10, totaling NT\$9,000 thousand. The relevant proposals are expected to be submitted to the shareholders' meeting for discussion in May 2025.

XII. Others

(I) Capital management

The Company's capital management objective at the current stage is to ensure the continued operation of the Company, maintain the optimal capital structure to reduce the cost of capital, and provide shareholders with sustained and steady returns after the operation turns losses into profits in the future. In order to achieve the aforementioned goals, the Company maintains or adjusts the capital by means of, including but not limited to, cash capital increase, short-term financing from specific individuals or institutions, bank borrowings, issuance of corporate bonds, asset disposal to repay debts or enrich working capital, distribution of dividends, and capital reduction. The Company uses the debt/equity ratio to monitor and manage capital. This ratio is calculated by dividing "net debt" by "total equity". The interim net debt is calculated as "total liabilities" less cash and cash equivalents, and the calculation of the "Total Equity" was taken from the "Total Equity" as reported in the Statement of Financial Position.

The Company's strategy for 2024 remained consistent with that of 2023, aiming to maintain a debt-to-equity ratio below 60%. As of December 31, 2024 and 2023, the Company's total liabilities were less than its cash and cash equivalents; therefore, the debt-to-equity ratio was 0.

(II) Financial instruments

1. Types of financial instruments

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 426,580	\$ 483,643
Financial assets measured at amortized cost	106,828	2,500
Notes receivable	8,172	531
Accounts receivable	52,256	69,263
Other receivables	995	814
Refundable deposits	5,561	5,413
	<u>\$ 600,392</u>	<u>\$ 562,164</u>
	<u>December 31, 2024</u>	<u>December 31, 2023</u>
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost		
Accounts payable	\$ 27,560	\$ 8,248
Other payables	85,763	64,413
Long-term borrowings (including those due within one year or one business cycle)	-	1,667
	<u>\$ 113,323</u>	<u>\$ 74,328</u>
Lease liabilities	<u>\$ 10,543</u>	<u>\$ 21,153</u>

2. Risk management policies

The Company's daily operations are affected by multiple financial risks, including market risk (consists of exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of the financial market and seeks to reduce potential adverse effects on the Company's financial position and financial performance.

3. Nature and extent of significant financial risk

(1) Market risk

Exchange rate risk

A. The Company's business involves several non-functional currencies (the Company's functional currency is NTD), therefore it is affected by exchange rate fluctuations. The information on foreign currency assets and liabilities with significant exchange rate fluctuations is as follows:

	<u>December 31, 2024</u>		
	<u>Foreign currency (thousands)</u>	<u>Exchange rate</u>	<u>Book value (NTD)</u>
(Foreign currency: Functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD: NTD	\$ 2,997	32.785	\$ 98,252
EURO : NTD	504	34.140	17,209
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD: NTD	\$ 459	32.785	\$ 15,034

				December 31, 2023		
				Foreign currency (thousands)	Exchange rate	Book value (NTD)
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD: NTD	\$	9,714		30.71	\$ 298,280
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD: NTD	\$	336		30.71	\$ 10,309

- B. The aggregate amount of exchange gains (including realized and unrealized) recognized in 2024 and 2023 on the Company's monetary items that were significantly affected by exchange rate fluctuations was NT\$13,723 and NT\$2,559, respectively.
- C. The analysis of the Company's risk in the foreign currency market due to significant exchange rate fluctuations is as follows:

				2024		
				Sensitivity analysis		
				Range of change	Impact on gain or loss	Impact on other comprehensive income
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD: NTD	1%	\$ 983	\$		-
	EURO : NTD	1%	172			-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD: NTD	1%	\$ 150	\$		-
				2023		
				Sensitivity analysis		
				Range of change	Impact on gain or loss	Impact on other comprehensive income
(Foreign currency: Functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
	USD: NTD	1%	\$ 2,983	\$		-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
	USD: NTD	1%	\$ 115	\$		-

Price risk

Since the investments held by the Company are classified as financial assets measured at fair value through profit and loss on the Statement of Financial Position, the Company is not exposed to the commodity price risk. In order to manage the price risk of equity instrument investment, the Company will diversify its investment portfolio according to the limits set by the Company.

Cash flow and fair value interest rate risk

The Company's long-term borrowings are issued at fixed interest rates, so there is no cash flow interest rate risk.

(2) Credit risk

- A. The Company is exposed to credit risk, which refers to the risk of financial loss resulting from a customer or counterparty to a financial instrument failing to fulfill its contractual obligations. The primary sources of credit risk arise from counterparties failing to settle accounts receivable in accordance with agreed payment terms, as well as contractual cash flows from debt instrument investments classified as financial assets measured at amortized cost.
- B. The Company manages credit risk from the corporate perspective. According to the internal credit policy, each operating entity within the Company must manage each new customer and perform credit risk analysis on them before establishing the terms and conditions for payment and delivery. The internal risk control evaluates customers' credit quality by considering their financial status, past experience and other factors. Limits for individual risks are set in accordance with Approval Authority Management Regulations, and the use of credit limits is monitored regularly.
- C. The Company shall deem a contract to have been breached when the contract amount is overdue for more than 361 days according to the agreed payment terms.
- D. The Company applies the assumptions provided under IFRS 9 as the basis for determining whether there has been a significant increase in credit risk on financial instruments since their initial recognition:

When the contract amount is overdue for more than 30 days according to the agreed payment terms, it is deemed that the credit risk of the financial asset has increased significantly since the initial recognition.
- E. The Company uses the following indicators to determine whether a debt instrument investment is credit-impaired:
 - (A) The issuer is in major financial difficulty, or the possibility of bankruptcy or other financial reorganizations is greatly increased;
 - (B) The active market for the financial assets disappears due to the issuer's financial difficulty;
 - (C) The issuer delays or fails to repay the interest or principal;
 - (D) Adverse changes in national or regional economic conditions that are expected to cause the issuer to default.
- F. The Company classifies the accounts receivable of customers according to the characteristics of customer rating, and estimates the expected credit losses based on the loss rate method.
- G. The Company does not recognize material allowance for notes receivable and contract assets. In estimating the allowance for accounts receivable, the Company incorporates forward-looking information and adjusts loss rates based on historical

and current data for specific periods. The loss rate method applied as of December 31, 2024 and 2023 is as follows:

	Group A	Individual assessment	Total
<u>December 31, 2024</u>			
Expected loss rate	0.00-100 %	0.00-100 %	
Total book value	\$ 38,123	\$ 23,671	\$ 61,794
Allowance for loss	7	1,359	1,366
<u>December 31, 2023</u>			
Expected loss rate	0.00-100 %	0.00-1.402% %	
Total book value	\$ 47,588	\$ 22,272	\$ 69,860
Allowance for loss	54	12	66

Group A: Customers other than those individually assessed. This group of customers are recognized for sound management, have a normal history of payment for transactions, and are rated as having good credit by the Company's internal credit evaluation. Our Company incorporates the consideration of the time value of money in the loss rate to estimate the allowance for doubtful accounts on receivables

H. The Company's simplified statement of changes in the loss allowance on accounts receivable is as follows:

	2024	2023
	Accounts receivable	Accounts receivable
January 1	\$ 66	\$ 2,112
Provision (reversal) of impairment loss	1,300	(2,046)
December 31	\$ 1,366	\$ 66

(3) Liquidity risk

- A. Cash flow forecast is carried out by each operating entity within the Company and summarized by the Company's Finance Department. The Finance Department of the Company monitors the forecast of the Company's working capital needs to ensure that there are sufficient funds to meet the operating needs.
- B. The following table shows the Company's non-derivative financial liabilities, which are grouped according to the relevant maturity date. Non-derivative financial liabilities are analyzed based on the remaining period from the Statement of Financial Position date to the contractual maturity date. The contractual cash flows disclosed in the table below are the undiscounted amounts.

Non-derivative financial liabilities:

December 31, 2024	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
Accounts payable	\$ 27,560	\$ -	\$ -	\$ -
Other payables	85,763	-	-	-
Lease liabilities	10,016	400	400	-

Non-derivative financial liabilities:

December 31, 2023	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years
Accounts payable	\$ 8,248	\$ -	\$ -	\$ -
Other payables	64,413	-	-	-
Lease liabilities	10,944	10,016	800	-
Long-term borrowings (including those due within one year or one business cycle)	1,671	-	-	-

(III) Fair value information

1. The Company's financial instruments not measured at fair value, including cash and cash equivalents, financial assets measured at amortized cost - current, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits, long-term receivables, accounts payable (including related parties), other payables, and long-term borrowings have carrying amounts that reasonably approximate their fair values.
2. The Company had no financial and non-financial instruments measured at fair value as of December 31, 2024 and 2023.

XIII. Supplementary disclosures

(I) Significant transaction information

1. Loaning of funds to others: None.
2. Making endorsements/guarantees for others: None.
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, affiliated companies, and jointly controlled entities): None.
4. The cumulative amount of the same securities purchased or sold reaching NT\$300 million or 20% of the paid-in capital or more: None.
5. The amount of acquired real estate exceeding NT\$300 million or 20% of the paid-in capital or more: None.
6. Disposal of real estate for an amount exceeding NT\$300 million or 20% of the paid-in capital or more: None.
7. The amount of purchases from and sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: None.
8. Accounts receivable from related parties amounting to at least NT\$100 million or 20% of the paid-in capital or more: None.
9. Engaged in derivative transactions: None.
10. The business relationship and important transactions between the parent company and its subsidiaries: None.

(II) Information on re-invested businesses

The name and location of the investee company and other relevant information (excluding investee companies in Mainland China): None.

(III) Investment information in Mainland China

1. Basic information: None.

Note: On March 31, 2021, the Company's board of directors resolved to establish a

subsidiary, TricornTech (Shanghai) Co., Ltd., which is 100% held by the Company. As of the date of the financial statements, the Company has not yet remitted the investment funds, and the subsidiary has not yet commenced operations.

2. Major transactions with investee companies in Mainland China directly or indirectly through enterprises in a third region: None.

(IV) Information on major shareholders

Please refer to Appendix 1 for details.

XIV. Segment information

(I) General information

The Company only operates in a single industry and the operating decision-maker of the Company has identified the Company as a reportable department based on the overall performance assessment and resource allocation.

(II) Measurement of segment information

The accounting policies of the Company's operating segments are the same as the summary of the significant accounting policies described in Note IV to the financial statements. The profit or loss of the operating segment is measured by the net profit (loss) after tax and serves as the basis for evaluating the performance of the operating segment.

(III) Reconciliation information of segment profit and loss

The department assets, liabilities, and net loss after tax presented by the Company to the major operating decision-makers are measured in the same manner as the Statement of Financial Position and Statement of Comprehensive Income, and no adjustment is required.

(IV) Information on products and services

Please refer to Note VI (XV) for details.

(V) Information by Region

The Company's information by region in 2024 and 2023 is as follows:

	2024		2023	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 237,167	\$ 74,646	\$ 216,189	\$ 96,826
China	123,590	-	106,656	-
Japan	33,307	-	22,267	-
Singapore	11,828	-	34,383	-
North America	89,402	-	23,497	-
Malaysia	768	-	3,645	-
Total	\$ 496,062	\$ 74,646	\$ 406,637	\$ 96,826

Revenue is attributed to individual countries based on the location of customers.

(VI) Important customer information

Details of customers whose sales accounted for 10% or more of the Company's operating revenue in 2024 and 2023 are as follows:

	2024	2023
Customer T	\$ 183,289	\$ 148,832

TricornTech Taiwan Corporation
Information on major shareholders
December 31, 2024

Appendix 1

Name of major shareholder	Shares	
	Number of shares held	Shareholding ratio
Taiwania Capital Buffalo Fund Co., Ltd.	3,832,005	6.28%
Hui-Lin Chen	3,651,571	5.98%

TricornTech Taiwan Corporation
Cash and cash equivalents
December 31, 2024

Statement 1

Unit: NTD thousands

Item	Summary	Amount
Cash on hand		\$ 250
Demand deposit - NTD		236,766
Demand deposits - foreign currency	USD 804 thousand (exchange rate USD 1: TWD 32.785)	26,351
	RMB 36 thousand (exchange rate RMB1: TWD 4.478)	159
	EUR 301 thousand (exchange rate EUR 1: TWD 34.140)	10,269
Time deposits - NTD		120,000
Time deposits - foreign currency	USD 1,000 thousand (exchange rate USD 1: TWD 32.785)	32,785
		<u>\$ 426,580</u>

The maturity dates for the aforementioned time deposits are January 14, 2025, and January 15, 2025, with interest rates of 1.61% and 4.9%, respectively.

TricornTech Taiwan Corporation
Financial assets at amortized cost - current
December 31, 2024

Statement 2

Unit: NTD thousands

Item	Summary	Amount
Time deposits - NTD		\$ 100,000
- Foreign currency	EUR 200 thousand (exchange rate EUR 1: TWD 34.140)	6,828
		\$ 106,828

The aforementioned time deposits have a holding period of six months, with maturity dates of April 4, 2025, and January 15, 2025, and interest rates of 1.6% and 3.5%, respectively.

TricornTech Taiwan Corporation
Accounts receivable
December 31, 2024

Statement 3

Unit: NTD thousands

Customer name	Amount	Remarks
Customer T	\$ 12,116	
Customer C	7,836	
Customer P	6,353	
Customer G	6,196	
Customer O	4,340	
Customer U	4,070	
Others	12,711	The balance of each individual customer does not exceed 5% of the total amount of the account
Subtotal	<u>\$ 53,622</u>	
Less: Loss allowance	<u>(1,366)</u>	
Total	<u><u>\$ 52,256</u></u>	

TricornTech Taiwan Corporation
Inventory
December 31, 2024

Statement 4

Unit: NTD thousands

Item	Amount		Remarks
	Cost	Market price	
Raw materials	\$ 42,286	\$ 45,706	Replacement cost or net realizable value as the market price
Work in process	22,733	22,733	Net realizable value as the market price
Semi-finished products	35,496	35,335	Net realizable value as the market price
Finished goods	35,611	80,503	Net realizable value as the market price
	136,126	\$ 184,277	
Less: Allowance for valuation and obsolescence losses	(30,688)		
	\$ 105,438		

TricornTech Taiwan Corporation
Statement of Operating Revenue
FY2024

Statement 5

Unit: NTD thousands

<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Revenue from gas detection equipment	\$ 315,246	
Maintenance and other service income	180,816	
	<u>\$ 496,062</u>	

TricornTech Taiwan Corporation
Operating cost
For the year ended December 31, 2024

Statement 6

Unit: NTD thousands

Item	Amount
Raw materials, beginning	\$ 49,828
Add: Materials purchased	60,936
Others	227
Less: Raw materials, ending	(42,286)
Raw materials transfer to machinery and equipment	(116)
Raw materials transfer to expenses	(2,940)
Raw materials consumed	65,649
Direct labor	13,729
Manufacturing overhead	43,756
Manufacturing cost	123,134
Add: Semi-finished products at beginning of period	41,602
Work-in-progress at beginning of period	16,024
Purchase of semi-finished products	72
Less: Work-in-progress at end of period	(22,733)
Semi-finished products, ending	(35,496)
Semi-finished product transfer to equipment	(465)
Semi-finished product transfer to expenses	(3,480)
Others	(233)
Cost of finished goods	118,425
Add: Finished goods at beginning of period	22,460
Purchase of finished goods	68,212
Less: Finished goods at end of period	(35,611)
Finished product transfer to equipment	(715)
Finished product transfer to expenses	(2,306)
Transfer to labor service cost	(65,059)
Current production and sales cost	105,406
Labor service cost	78,945
Reversal of inventory write-down and obsolescence gains	(301)
Warranty cost	6,640
	\$ 190,690

TricornTech Taiwan Corporation
Manufacturing overhead
For the year ended December 31, 2024

Statement 7

Unit: NTD thousands

Item	Amount	Remarks
Salary expenses	\$ 22,437	
Insurance expenses	2,800	
Depreciation	5,313	
Production consumables	4,274	
Other expenses	8,932	The balance of each miscellaneous account does not exceed 5% of the total amount for the respective accounting item.
	\$ 43,756	

TricornTech Taiwan Corporation
Promotional expenses
For the year ended December 31, 2024

Statement 8

Unit: NTD thousands

<u>Item</u>	<u>Amount</u>	<u>Remarks</u>
Salary expenses	\$ 31,235	
Business travel expenses	9,883	
Commission expenses	10,037	
Depreciation expense	4,435	
Export expenses	5,558	
Other expenses	15,946	The balance of each miscellaneous account does not exceed 5% of the total amount for the respective accounting item.
	<u>\$ 77,094</u>	

TricornTech Taiwan Corporation
Administrative and general affairs expenses
For the year ended December 31, 2024

Statement 9

Unit: NTD thousands

Item	Amount	Remarks
Salary expenses	\$ 34,742	
Depreciation expense	4,223	
Service expense	6,128	
Other expenses	9,741	The balance of each miscellaneous account does not exceed 5% of the total amount for the respective accounting item.
	<u>\$ 54,834</u>	

TricornTech Taiwan Corporation
Research and development expenses
For the year ended December 31, 2024

Statement 10

Unit: NTD thousands

Item	Amount	Remarks
Salary expenses	\$ 49,386	
Amortization expense	9,900	
Test material expenses	5,789	
Service expense	8,871	
Depreciation expense	8,467	
Other expenses	10,996	The balance of each miscellaneous account does not exceed 5% of the total amount for the respective accounting item.
	<u>\$ 93,409</u>	

TricornTech Taiwan Corporation

Summary statement of employee benefits, depreciation and amortization expenses incurred in the current period by function

For the years ended December 31, 2024 and 2023

Statement 11

Unit: NTD thousands

By function By nature	2024			2023		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee welfare expenses						
Salary expenses	\$ 47,694	\$ 102,000	\$ 149,694	\$ 45,000	\$ 83,252	\$ 128,252
Share-based payment	844	3,175	4,019	151	1,998	2,149
Labor and health insurance premiums	2,631	8,769	11,400	2,877	8,264	11,141
Pension expense	1,318	4,448	5,766	1,443	4,043	5,486
Directors' Remuneration	-	5,740	5,740	-	4,572	4,572
Other employee expenses	1,579	5,187	6,766	1,991	4,858	6,849
Total	54,066	129,319	183,385	51,462	106,987	158,449
Depreciation expense	5,313	17,125	22,438	4,739	20,129	24,868
Amortization expense	-	10,740	10,740	-	11,478	11,478

Notes:

1. The number of employees of the Company as of December 31, 2024 and 2023 were 137 and 131, respectively, including 8 directors who did not concurrently serve as employees in both years.
2. (1) The average employee welfare expenses in 2024 and 2023 were NT\$1,377 and NT\$1,251, respectively.
 (2) The average employee salary expenses in 2024 and 2023 were NT\$1,160 and NT\$1,043, respectively.
 (3) The change in average employee salary expenses represented an increase of 11.22%.
 (4) The Company has established an Audit Committee and does not have supervisors.
 (5) Remuneration Policy:
 - A. Directors of the Company are compensated in accordance with the "Regulations Governing Director and Managerial Remuneration," which include transportation allowances and business execution expenses, paid at appropriate levels. In the event of annual profit, additional remuneration is allocated from earnings in accordance with the Company's Articles of Incorporation.
 - B. The salaries and bonuses of the Company's managerial officers are determined based on the Company's employee compensation standards and benchmarked against industry levels. These are reviewed by the Remuneration Committee and approved by the Board of Directors before implementation.
 - C. Employee compensation includes salaries, major festival bonuses, and year-end bonuses. In addition, based on the Company's operating performance and individual performance evaluations, performance bonuses and employees' remuneration may also be granted.