

TAIWAN MICROLOOPS CORP.

**Parent Company Only Financial Statements
With Independent Auditor's Report**

For The Years Ended December 31, 2024 and 2023

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

Table of Contents

Item	Page
1. Front Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statement of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statement of Cash Flows	7
8. Notes to Parent Company Only Financial Statements	
(1) Company history	8
(2) Date and procedure for approval of financial statements	8
(3) Application of new and revised standards and interpretations	8~10
(4) Summary of significant accounting policies	10~22
(5) Critical accounting judgments and key sources of estimation and uncertainty	22~23
(6) Summary of significant accounting items	23~41
(7) Related party transactions	41~42
(8) Assets pledged	43
(9) Significant contingent liabilities and unrecognized contract commitments	43
(10) Major disaster loss	43
(11) Material events after the balance sheet date	43
(12) Others	44
(13) Other disclosures	
1. Information on significant transactions	44~45
2. Information on investees	46
3. Information on investment in Mainland China	46~47
(14) Information on operating segments	47
9. Summary of Significant Accounting Items	48~55

Independent Auditors' Report

To the Board of Directors, Taiwan Microloops Corp.

Opinion

We have audited the accompanying balance sheets of Taiwan Microloops Corp. for the years ended December 31, 2024 and 2023 and the relevant statements of comprehensive income, changes in equity, and cash flows for the years then ended, and relevant notes to the parent company only financial statements (including a summary of significant accounting policies).

In our opinion, the said parent company only financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the financial position of Taiwan Microloops Corp. as of December 31, 2024 and 2023 as well as their financial performance and cash flow from January 1 to December 31, 2024 and 2023.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the generally accepted auditing standards. Our responsibilities under such standards are further described in the “CPA’s responsibility for the audit of the parent company only financial statements” section in this report. We were independent of Taiwan Microloops Corp. in accordance with the Norms of Professional Ethics for Certified Public Accountants and fulfilled all other responsibilities thereunder. We are convinced that we have acquired sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key audit matters

Key audit matters refer to, based on our professional judgment, the most important matters for auditing the 2024 parent company only financial statements of Taiwan Microloops Corp. These matters were addressed during the overall audit of the parent company only financial statements and in the process of forming the audit opinions, and thus we do not provide separate opinions on those matters. The key audit matters that, in our opinion, should be communicated in the auditor’s report are as follows:

I. Recognition of revenue

For the accounting policy on revenue recognition, please refer to Note 4(13) of the parent company only financial statements; for the revenue, please refer to Note 6 (15) of the parent company only financial statements.

Details of key audit matters:

Taiwan Microloops Corp. is engaged in the research and development, production and sales of thermal modules and vapor chambers for computers and related peripheral products. The revenue is recognized in accordance with the transaction conditions agreed with the customers. Considering that sales revenue comes from a great number of transaction volumes, we incorporate revenue recognition as a key audit matter.

Corresponding audit procedures:

Our main audit procedures for the above-mentioned key audit matters include: understanding the accounting policies adopted by Taiwan Microloops Corp. for revenue recognition and comparing the terms of sale to assess the appropriateness of the adopted policies; understanding the design of the internal control system for the sales revenue and conducting spot checks to ensure the effectiveness of its execution; conducting spot checks of individual transactions and tracing back to the orders and shipping certificates; sampling from the sales transactions during the period before and after the end of the year to examine the conditions, shipping documents, and customer confirmation documents of such sales transactions and evaluate whether the year-end sales transactions are recognized in the appropriate period.

II. Long-term Investment under Equity Method

For the accounting policy of long-term investment in equity under the equity method, please refer to Note 4(8), Investment in Subsidiaries, of the parent company only financial statements; for the accounting estimates and assumption uncertainties, please refer to Note 5 of the parent company only financial statements.

Details of key audit matters:

The investments of Taiwan Microloops Corp. under the equity method are limited to subsidiaries only. Considering the business scope and nature of these subsidiaries and that, for some subsidiaries, the estimate of the net realizable value of inventory involves the subjective judgment of the management, and this is an accounting estimate with uncertainties, we incorporate the inventory valuation under the equity method stated in the financial statements of the subsidiaries as a key audit matter.

Corresponding audit procedures:

Our main audit procedures for the inventory valuation under the equity method include: understanding whether the inventory valuation policy of the subsidiaries under the equity method is consistent with that of Taiwan Microloops Corp., and assessing whether the inventory evaluation has been executed in accordance with the established accounting policies. This includes executing a sampling procedure to check the accuracy of the inventory age, analyzing the changes in inventory age at different phases, reviewing the reasonableness of the allowance for inventory loss in the past to evaluate whether the method and assumptions for estimating the net realizable value of current inventory are appropriate, and reviewing post-period sales of the inventory to evaluate the reasonableness of the inventory valuation estimate.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the parent company only financial statements that are free from material misstatement, whether due to fraud or error.

During preparation of the parent company only financial statements, the management was also responsible for evaluating the ability of Taiwan Microloops Corp. to continue as a going concern, disclosure of relevant matters, and application of the going concern basis of accounting unless the management intended to make Taiwan Microloops Corp. enter into liquidation or terminate its operations, or there was no other actual or feasible solutions other than liquidation or termination of its operations.

Taiwan Microloops Corp.'s governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

Auditors' responsibility for the audit of the parent company only financial statements

We audited the parent company only financial statements for the purpose of obtaining reasonable assurance about whether the parent company only financial statements were free of material misstatements due to fraud or errors and issuing an independent auditors' report. Reasonable assurance refers to a high level of assurance; however, we could not guarantee to detect all material misstatements in the parent company only financial statements through the audit conducted based on the generally accepted auditing standards. Misstatement may arise from fraud or errors. If an individual or total amount misstated is reasonably expected to have an impact on the economic decision-making of users of the parent company only financial statements, the misstatements are deemed material.

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

1. We identified and evaluated the risk of any misstatements in the parent company only financial statements due to fraud or errors, designed and implemented applicable response measures for the evaluated risks, and acquired sufficient and appropriate audit evidence to base our audit opinions. Since fraud may involve collusion, forgery, omission on purpose, fraudulent statements or violation of internal control, we did not find that the risk of misstatements due to fraud was higher than the same due to errors.
2. We understood the internal control related to the audit to an extent necessary to design audit procedures applicable to the current circumstances; however, the purpose of such work was not to express opinions toward the effectiveness of Taiwan Microloops Corp.'s internal control.
3. We evaluated the appropriateness of the accounting policies adopted by the management and the rationality of the accounting estimates and relevant disclosures made by the management.
4. We drew a conclusion about the appropriateness of application of the going concern basis of accounting by the management and whether the event or circumstance which might cause major doubts about Taiwan Microloops Corp.'s ability to continue as a going concern had a material uncertainty. If any material uncertainty was deemed to exist in such event or circumstance, we must provide a reminder in the parent company only financial statements for the users to pay attention to relevant disclosure therein, or amend our audit opinions when such disclosure was inappropriate.

Our conclusion was drawn based on the audit evidence acquired as of the date of this auditor's report. However, future events or circumstances might result in a situation where Taiwan Microloops Corp. would no longer have the ability to continue as a going concern.

5. We evaluated the overall presentation, structure, and contents of the parent company only financial statements (including relevant notes), and whether the parent company only financial statements presented relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence with respect to the financial information of the investee companies adopting equity method to provide opinions regarding the parent company only financial statements. We were responsible for instruction, supervision and conduct of Taiwan Microloops Corp.'s audit cases, as well as the expression of the audit opinions for Taiwan Microloops Corp.

The matters for which we communicated with the governance unit include the planned audit scope and time, as well as major audit findings (including the significant deficiencies of internal control identified during the 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).

We determined the key audit matters to be audited in the 2024 parent company only financial statements of Taiwan Microloops Corp. based on the matters communicated with the governance unit. Unless public disclosure of certain matters was prohibited by related laws or regulations or if, in very exceptional circumstances, we determined not to cover such matters in the audit report, as we could reasonably expect that the negative impact of the coverage was greater than the public interest brought thereby, we specified such matters in the audit report.

KPMG Taiwan

CPAs:

March 10, 2025

The accompanying parent company only financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such parent company only financial statements are those generally accepted and applied in the Republic of China. The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements and Report Originally Issued in Chinese)

Taiwan Microloops Corp.

Balance Sheets

December 31, 2024 and 2023

Unit: NTD Thousand

Assets		12.31.2024		12.31.2023				Liabilities and equity		12.31.2024		12.31.2023	
		Amount	%	Amount	%					Amount	%	Amount	%
Current assets:								Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 492,910	23	460,200	30			2181	Notes and accounts payable (Note 7)	\$ 456,708	21	305,697	20
1136	Financial assets measured at amortized cost – current (Note 6(2))	-	-	10,440	1			2200	Other payables (Note 7)	83,026	4	58,657	4
1170	Accounts receivable, net (Note 6(3))	718,800	33	539,815	35			2280	Lease liabilities – current (Note 6(9))	3,910	-	5,227	1
1200	Other receivables (including related party)	7,457	-	10,452	1			2300	Other current liabilities	38,109	2	20,469	1
130X	Inventory (Note 6(4))	62,594	3	32,387	2				Total current liabilities	581,753	27	390,050	26
1470	Other current assets	12,926	1	7,511	-				Non-current liabilities:				
	Total current assets	1,294,687	60	1,060,805	69			2570	Deferred income tax liabilities (Note 6(11))	8,786	-	-	-
	Non-current assets:							2580	Lease liabilities – non-current (Note 6(9))	653	-	4,263	-
1550	Investment under the equity method (Note 6(5))	476,532	22	433,479	28				Total non-current liabilities	9,439	-	4,263	-
1600	Property, plant and equipment (Note 6(6))	360,245	17	7,920	1				Total liabilities	591,192	27	394,313	26
1755	Right-of-use assets (Note 6(7))	4,483	-	9,426	1				Equity (Notes 6(12) and (13)):				
1780	Intangible assets (Note 6(8))	22,633	1	4,569	-			3110	Common stock capital	600,000	28	508,780	33
1840	Deferred income tax assets (Note 6(11))	-	-	347	-			3200	Capital reserve	701,026	32	400,588	26
1900	Other non-current assets (Note 6(5))	5,377	-	13,033	1				Retained earnings:				
	Total non-current assets	869,270	40	468,774	31			3310	Legal reserve	32,818	2	22,236	1
								3320	Special reserve	19,729	1	-	-
								3350	Undistributed earnings	223,505	10	223,391	15
										276,052	13	245,627	16
									Other equity:				
								3411	Exchange differences from translation of foreign operations' financial statements	10,670	-	(4,746)	-
								3420	Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	(14,983)	-	(14,983)	(1)
										(4,313)	-	(19,729)	(1)
									Total equity	1,572,765	73	1,135,266	74
									Total liabilities and equity	\$ 2,163,957	100	1,529,579	100
	Total assets	\$ 2,163,957	100	1,529,579	100								

(Please refer to the attached notes to the Parent Company Only Financial Statements)

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Taiwan Microloops Corp.

Statements of Comprehensive Income

For The Years Ended December 31, 2024 and 2023

Unit: NTD Thousand

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(15))	\$ 1,646,133	100	1,379,120	100
5000	Operating cost (Note 6(4))	1,416,203	86	1,157,548	84
	Operating gross profit	229,930	14	221,572	16
	Operating expenses (Notes 6(3), (10), 7 and 12):				
6100	Marketing expense	41,157	3	36,254	3
6200	Administrative expense	68,177	4	55,810	4
6300	R&D expense	63,858	4	48,428	4
6450	Reversal gain on expected credit impairment loss	(619)	-	(1,386)	-
		172,573	11	139,106	11
	Operating net profit	57,357	3	82,466	5
	Non-operating revenue and expense:				
7100	Interest income	8,250	1	10,190	1
7010	Other income (Note 17)	529	-	1,027	-
7020	Other gains and losses (Note 6(17))	38,616	2	38,601	3
7050	Financial cost (Note 6(9))	(208)	-	(2,260)	-
7070	Portions of profits or losses of subsidiaries, affiliates, and joint ventures recognized adopting the equity method	27,637	2	(178)	-
		74,824	5	47,380	4
	Pre-tax net profit	132,181	8	129,846	9
7951	Less: Income tax expense (Note 6(11))	26,245	2	26,423	2
	Net income for the current period	105,936	6	103,423	7
8300	Other comprehensive income:				
8310	Items not reclassified into profit or loss				
8316	Unrealized valuation profit/loss from investment in equity instruments measured at fair value through other comprehensive income (Note 6(5))	-	-	(14,983)	(1)
8349	Less: Income tax related to items not reclassified	-	-	-	-
8360	Items potentially reclassified as profit or loss subsequently				
8361	Exchange differences from translation of foreign operations' financial statements	15,416	1	(8,913)	(1)
8399	less: Income tax related to titles potentially being reclassified	-	-	-	-
8300	Other current comprehensive income (net amount after tax) for the current period	15,416	1	(23,896)	(2)
	Total comprehensive income for the current period	\$ 121,352	7	79,527	5
9750	Basic earnings per share (Unit: NTD) (Note 6(14))	\$ 1.80		1.92	
9810	Diluted earnings per share (unit: NTD) (Note 6(14))	\$ 1.79		1.91	

(Please refer to the attached notes to the Parent Company Only Financial Statements)

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

Taiwan Microloops Corp.
Statements of Changes in Equity
For The Years Ended December 31, 2024 and 2023

Unit: NTD Thousand

		Retained earnings				Other equity items		Total equity
						Exchange differences from translation of foreign operations' financial statements	Unrealized profit/loss from the financial assets measured at fair value through other comprehensive income	
	Capital stock	Capital reserve	Legal reserve	Special reserve	Undistributed earnings			
Balance as of January 1, 2023	\$ 434,483	415,447	13,595	-	211,161	4,167	-	1,078,853
Net income for the current period	-	-	-	-	103,423	-	-	103,423
Other comprehensive income for the current period	-	-	-	-	-	(8,913)	(14,983)	(23,896)
Total comprehensive income for the current period	-	-	-	-	103,423	(8,913)	(14,983)	79,527
Appropriation for legal reserve	-	-	8,641	-	(8,641)	-	-	-
Cash dividend from common stocks	-	(14,859)	-	-	(8,255)	-	-	(23,114)
Stock dividend for common stocks	74,297	-	-	-	(74,297)	-	-	-
Balance as of December 31, 2023	508,780	400,588	22,236	-	223,391	(4,746)	(14,983)	1,135,266
Net income for the current period	-	-	-	-	105,936	-	-	105,936
Other comprehensive income for the current period	-	-	-	-	-	15,416	-	15,416
Total comprehensive income for the current period	-	-	-	-	105,936	15,416	-	121,352
Appropriation for legal reserve	-	-	10,582	-	(10,582)	-	-	-
Appropriation for special reserve	-	-	-	19,729	(19,729)	-	-	-
Cash dividend from common stocks	-	-	-	-	(44,291)	-	-	(44,291)
Stock dividend for common stocks	31,220	-	-	-	(31,220)	-	-	-
Capital increase in cash	60,000	300,000	-	-	-	-	-	360,000
Share-based payment transaction	-	438	-	-	-	-	-	438
Balance as of December 31, 2024	<u>\$ 600,000</u>	<u>701,026</u>	<u>32,818</u>	<u>19,729</u>	<u>223,505</u>	<u>10,670</u>	<u>(14,983)</u>	<u>1,572,765</u>

(Please refer to the attached notes to the Parent Company Only Financial Statements)

Taiwan Microloops Corp.**Statement of Cash Flows****For The Years Ended December 31, 2024 and 2023****Unit: NTD Thousand**

	2024	2023
Cash flow from operating activities:		
Pre-tax net profit for the current period	\$ 132,181	129,846
Adjustments:		
Income and expense		
Depreciation expense	9,766	7,728
Amortization expense	11,618	2,299
Reversal gain on expected credit impairment loss	(619)	(1,386)
Interest expense	208	2,260
Interest income	(8,250)	(10,190)
Share-based payments	438	-
Portions of profits or losses of subsidiaries and affiliates recognized adopting the equity method	(27,637)	178
Loss (gain) from disposal of property, plant and equipment	1	(21,067)
Inventory obsolescence, devaluation and scrapping loss	147	-
Total income and expenses	(14,328)	(20,178)
Changes in assets/liabilities related to operating activities.		
Accounts receivable	(178,384)	(133,323)
Other receivables	2,655	(1,098)
Inventory	(30,354)	(7,770)
Other financial assets and other current assets	(4,584)	763
Total net change in assets related to operating activities	(210,667)	(141,428)
Notes and accounts payable (including related party)	151,011	46,696
Other current liabilities	8,596	10,829
Total net changes in liabilities related to operating activities	159,607	57,525
Total net changes in assets and liabilities related to operating activities	(51,060)	(83,903)
Total adjustments	(65,388)	(104,081)
Cash inflow from operations	66,793	25,765
Interest received	8,607	10,820
Interest paid	(681)	(2,382)
Income tax paid	(2,431)	(5,436)
Net cash inflow from operating activities	72,288	28,767
Cash flow from investing activities:		
Decrease (increase) in financial assets measured at amortized cost - current	10,440	(8,440)
Increase in prepayment for investment	(29)	-
Procurement of property, plant and equipment	(346,813)	(1,566)
Proceeds from disposal of property, plant and equipment	1	333,455
Increase in refundable deposits	(866)	(891)
Acquisition of intangible assets	(10,909)	(2,500)
Increase in other non-current assets	(1,633)	(8,088)
Net cash inflow (outflow) from investment activities	(349,809)	311,970
Cash flow from financing activities:		
Decrease in short-term loans	-	(30,500)
Application for (repayment of) long-term borrowings	-	(217,000)
Decrease in deposits received	-	(737)
Repayment of lease	(5,478)	(5,511)
Payment of cash dividends	(44,291)	(23,114)
Capital increase in cash	360,000	-
Net cash inflow (outflow) from financing activities	310,231	(276,862)
Increase in cash and cash equivalents for the current period	32,710	63,875
Balance of cash and cash equivalents at the beginning of the period	460,200	396,325
Balance of cash and cash equivalents at the end of the period	\$ 492,910	460,200

(Please refer to the attached notes to the Parent Company Only Financial Statements)

Taiwan Microloops Corp.

Notes to Parent Company Only Financial Statements

For The Years Ended December 31, 2024 and 2023

(All amounts are in NTD thousand unless otherwise specified.)

1. Company history

Taiwan Microloops Corp. (hereinafter referred to as the Company) was approved for establishment by the Ministry of Economic Affairs on November 8, 2002; registered address: 11F, No. 788, Zhongzheng Rd., Zhonghe Dist., New Taipei City. The main business activities of the Company are the research and development, design, manufacturing, and marketing of thermal modules and vapor chambers for computers and related peripheral products.

2. Date and procedure for approval of financial statements

The parent company only financial statements were approved for release by the Board of Directors on March 10, 2025.

3. Application of new and revised standards and interpretations

- (1) The impact of the adoption of the new and revised standards and interpretations approved and issued by the Financial Supervisory Commission

The Company began to apply the following newly amended IFRSs on January 1, 2024, and there was no significant impact on the parent company only financial statements.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

Amendments to IAS 1 “Non-current Liabilities with Covenants”

Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (2) Impact of not adopting the IFRSs approved by the Financial Supervisory Commission

As assessed by the Company, the application of the following newly amended IFRSs effective from January 1, 2025 will not cause significant impact on parent company only financial statements.

Amendments to IAS 21 “Lack of Exchangeability”

- (3) New and revised standards and interpretations not yet approved by the Financial Supervisory Commission

The standards and interpretations that are issued and revised by the International Accounting Standards Board but not yet approved by the Financial Supervisory Commission and may be of interest to the Company are as follows:

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

New or Revised Standard	Major Revision	Effective Date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three types of income and expense, two income statement subtotals and a single note on management performance measurement. These three amendments and enhancements provide a guide for how to divide information in financial statements, and provide users with better and more consistent information to lay the foundation. This will affect all companies.</p> <ul style="list-style-type: none"> • More structured income statements: According to the existing standards, the Company uses different formats to express operating results, so that investors can easily compare the financial performance of different companies. The new standards use a more structured income statement and introduce the newly defined subtotal of “operating profits.” All income and expenses are classified into three new types based on the Company’s main business activities. • Management Performance Measurement (MPM): The new standards introduce a definition of management performance measurement. They require the Company to provide the information on each measurement indicator in a single note in the financial statements and explain the calculation and how to adjust the measurement indicator and the amount recognized according to the IFRSs. • More detailed information: The new standards include a guide about how companies can strengthen the information classification in financial statements. This includes the guidance about whether the information should be included in the main financial statements or further divided in the notes. 	January 01, 2027

The Company is continually evaluating the impact of these standards and interpretations on the financial position and operating results of the Company, and will disclose the impact when the evaluation is complete.

The Company expects that the following new and revised standards not yet approved will not cause significant impact on the parent company only financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17 “Insurance Contracts” and amendments to IFRS 17

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

- Amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendment to IFRS 9 and IFRS 7 “Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRSs
- Amendment to IFRS 9 and IFRS 7 “Nature-dependent Electricity Contracts”

4. Summary of significant accounting policies

The main accounting policies used in the preparation of the parent company only financial statements are summarized below. The accounting policies below have been applied consistently throughout the reporting periods presented in the parent company only financial statements.

(1) Statement of compliance

The present standalone Financial Report has been duly worked out in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

a. Measurement basis

The parent company only financial statements are prepared on the historical cost basis except for the financial assets measured at fair value through other comprehensive income as measured at fair value.

b. Functional and presentation currencies

The Company takes the currency used in the main economic environment at the operation location as the functional currency. The parent company only financial statements are presented in the functional currency of the Company, i.e. NTD. All financial information expressed in NTD is presented in NTD thousand.

(3) Foreign currency

a. Foreign currency transactions

Foreign currencies used in a transaction are translated into functional currency at the exchange rate on the transaction date. At the end of each subsequent reporting period (hereinafter referred to as the Reporting Date), monetary foreign currency items are converted into functional currency at the exchange rate of the day.

Non-monetary foreign currency items measured at fair value are translated into functional currency at the exchange rate on the date the fair value is measured. Non-monetary foreign currency items measured at historical cost are translated at the exchange rate on the date of transaction.

The foreign currency exchange difference arising from translation is usually recognized in profit or loss, but equity instruments designated as at fair value through other comprehensive income are recognized in other comprehensive income.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

b. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to NTD at the exchange rate on the reporting date; the income and expenses are translated to NTD at the average exchange rate of the period. The exchange differences incurred are recognized in other comprehensive income.

When disposal of a foreign operation results in loss of control, loss of joint control, or significant influence, all the accumulated exchange differences related to the foreign operation are reclassified as profit or loss. When disposing a subsidiary with a foreign operation partially, related accumulated exchange differences are re-attributed to non-controlling equity on a pro rata basis. When disposing an affiliate or a joint venture with a foreign operation partially, related accumulated exchange differences are reclassified to profit or loss on a pro rata basis.

If there is no settlement plan for monetary receivables or payables of a foreign operation and settlement is impossible in the foreseeable future, the exchange gains and losses arising therefrom are regarded as part of the net investment in the foreign operation and recognized as other comprehensive income.

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

Assets that meet one of the following conditions are classified as current assets; assets other than current assets are classified as non-current assets:

- a. The assets are expected to be realized, or intended to be sold or consumed in the normal business cycle;
- b. The assets are held mainly for the purpose of trading;
- c. The assets are expected to be realized within 12 months after the reporting period; or
- d. The asset is cash or cash equivalents (as defined in IAS 7) , unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Liabilities that meet one of the following conditions are classified as current liabilities; liabilities other than current assets are classified as non-current liabilities;

- a. The liabilities are expected to be settled in the normal business cycle;
- b. The liabilities are held mainly for the purpose of trading;
- c. The assets are to be settled within twelve months after the reporting period; or
- d. There is no right at the end of the reporting period to defer settlement of the liabilities for at least twelve months after the reporting period.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(5) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents refer to short-term investments of high liquidity that are readily convertible to a fixed amount of cash with insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of fulfilling short-term cash commitments rather than investment or other purposes are reported as cash equivalents.

(6) Financial instruments

Accounts receivable are initially recognized at the time of incurrence. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to a financial instrument contract. Financial assets that are not measured at fair value through profit or loss (except for the accounts receivable that do not contain significant financial components) or financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are initially measured at transaction price.

a. Financial assets

Where the purchase or sale of financial assets is in line with customary practices, the Company adopts trade date accounting for all purchases and sales of financial assets classified in the same manner.

At the time of initial recognition, financial assets are those measured at amortized cost and those measured at fair value through other comprehensive income. The Company only reclassifies all affected financial assets from the first day of the next reporting period when it changes the business model of managing financial assets.

(a) Financial assets measured at amortized cost

Financial assets that meet the following conditions and are not designated to be measured at fair value through profit or loss are measured at amortized cost:

- The financial assets are held under the business model for the purpose of collecting contractual cash flow.
- The cash flow occurring on a specific date in accordance with the contractual terms of the financial assets is solely for the payment of the principal and the interest on the outstanding principal amount.

Such assets are subsequently measured at the initially recognized amount plus or minus the accumulated amortization calculated under the effective interest method with any adjusted amortized cost of the allowance for loss. Interest income, foreign exchange profit and loss, and impairment loss are recognized in profit or loss. Upon derecognition, the profit or loss is recognized in profit or loss.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(b) Financial assets measured at fair value through other comprehensive income

Investment in equity instruments is subsequently measured at fair value. Dividend income (unless obviously representing the recovery of partial investment cost) is recognized in profit or loss. The remaining net profits or losses are recognized as other comprehensive income and not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date the Company is entitled to receive the dividend (usually on the ex-dividend date).

(c) Impairment of financial assets

The Company's financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, other receivables, refundable deposits and other financial assets) and the expected credit loss of the contract assets are recognized in allowance for losses.

The following financial assets have allowance loss measured at the 12-month expected credit loss, and the rest are measured at expected credit loss throughout the duration:

- The credit risk of debt securities is determined to be low at the reporting date; and
- The credit risk of other debt securities and bank deposits (i.e. the risk of default occurring beyond the expected duration of the financial instruments) has not increased significantly since the initial recognition.

The allowance for loss on accounts receivable is measured at expected credit loss throughout the duration.

In determining whether the credit risk has increased significantly since the initial recognition, the Company shall consider reasonable and supporting information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and the analysis made based on the historical experiences of the Company, credit assessment and forward-looking information.

The expected credit loss throughout the duration refers to the expected credit loss generated by all possible defaults during the expected duration of a financial instrument.

The 12-month expected credit loss refers to the expected credit loss arising from the possible default of the financial instrument within 12 months after the reporting date (or a shorter period if the expected duration of the financial instrument is shorter than 12 months).

The longest period of measurement of expected credit loss is the longest contract period in which the Company is exposed to credit risk.

The expected credit loss is the probability-weighted estimate of the credit loss during

Taiwan Microloops Corp.

Notes to Parent Company Only Financial Statements (continued)

the expected duration of a financial instrument. Credit loss is measured at the present value of all cash shortfalls, which is the difference between the cash flow that the Company can collect in accordance with the contract and the cash flow that the Company expects to collect. Expected credit loss is discounted at the effective interest rate of the financial assets.

The allowance for losses on financial assets at amortized cost is deducted from the carrying amount of the assets.

When the Company cannot reasonably expect the recovery of financial assets in whole or in part, it will reduce the total book value of its financial assets directly. The Company analyzes the timing and amount of write-off separately on the basis of whether the recovery is reasonably expected. The Company expects that the written-off amount will not reverse significantly. However, the written-off financial assets can still be enforced compulsorily to meet the procedures for the Company to recover the overdue amount.

(d) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party, or when it has not transferred or retained substantially all the risks and rewards of ownership or has not retained control over the financial asset.

For the transfer of financial assets, if the Company has retained all or substantially all the risks and rewards of ownership of the asset to be transferred, it continues to recognize the asset on the balance sheet.

b. Financial liabilities and equity instruments

(a) Classification of liabilities or equity

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

(b) Equity transactions

Equity instrument demonstrates any contract that represents the Company's remaining equity after deducting all liabilities from the assets. The equity instruments issued by the Company were recognized based on the acquisition of price less direct issuing cost.

(c) Financial liabilities

Financial liabilities are classified and measured at amortized cost. Interest expense

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

and exchange gain and loss are recognized in profit or loss. Any profit or loss occurring at the time of derecognition is recognized in profit or loss.

(d) Derecognition of the financial liabilities

The Company derecognizes financial liabilities when its contractual obligations are fulfilled, canceled, or expired. When the terms of a financial liability are amended and there is a significant difference in the cash flow of the liability after the amendment, the original financial liability is derecognized, and a new financial liability is recognized at fair value based on the amended terms.

When derecognizing financial liabilities, the difference between the book value and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities can offset each other and have their net amount expressed in the balance sheet only when the Company has a legally enforceable right to offset them and intends to settle at a net amount, or when assets are realized and liabilities are repaid simultaneously.

(7) Inventory

Inventories are measured at the lower of cost or net realizable value. Costs include the costs of acquisition, production, or processing and other costs incurred to make the product available at the designated location and in a designated state. The cost is calculated using the weighted-average method. The inventory costs of finished goods and work-in-progress products include the manufacturing expenses allocated in accordance with an appropriate percentage under normal production capacity.

Net realizable value refers to the estimated selling price in a normal business situation less the estimated cost needed to complete the work and the estimated cost needed to complete the sale.

(8) Invested subsidiaries

In preparing the parent company only financial statements, the Company has adopted the equity method to value the invested company over which the Company has control. Under the equity method, the amortization amount attributable to the owners of the parent company is the same in terms of profit or loss and other comprehensive income for the current period in both the parent company only financial statements and the financial statements prepared on a consolidated basis. The equity of the owners in the parent company only financial statements is the same as the equity attributable to the owners of the parent company in the financial statements prepared on a consolidated basis.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of the control are treated as equity transactions with owners.

(9) Property, plant and equipment

a. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

If the major components of property, plant and equipment have different service lives, they are treated as the separate items (major components) of the property, plant and equipment.

The gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

b. Subsequent costs

Subsequent expenses are capitalized only when their future economic benefits are likely to flow into the Company.

c. Depreciation

Depreciation is calculated on the basis of the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component.

Land is not depreciated.

The estimated service lives for the current period and the comparative period are as follows:

(a) House and its ancillary equipment 2–25 years

(b) Office and other equipment 3–5 years

The Company reviews the depreciation method, service lives, and residual value on each reporting date, and makes appropriate adjustment if necessary.

(10) Lease

The Company assesses, on the contract inception date, whether the contract is or contains a lease. If the contract transfers the control over the use of identified assets for a period of time in exchange for consideration, the contract is or contains a lease.

a. Lessee

The Company recognizes right-of-use assets and lease liabilities on the lease start date. The right-of-use assets are initially measured at cost, which includes the initial measurement of lease liabilities, adjusted for any lease payments paid on or before the lease start date, and adding the initial direct cost and the estimated cost of dismantling and removing the underlying asset and restoring its location or the underlying asset, while deducting any lease

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

incentives received.

The subsequent right-of-use assets are depreciated under the straight-line method from the lease start date to the end of their service lives or the expiration of the lease period, whichever is earlier. In addition, the Company regularly assesses whether the right-of-use assets are impaired, settles any impairment losses that have occurred, and adjusts the right-of-use assets if the lease liabilities are remeasured.

Lease liabilities are initially measured at the present value of the unpaid lease payments on the lease start date. If the interest rate implicit in the lease is easy to determine, the discount rate is the interest rate. If it is not easy to determine, the Company's incremental borrowing rate is used. Generally, the Company uses its incremental borrowing interest rate as the discount rate.

Lease payments included in the measurement of lease liabilities include:

- (a) Fixed payment, including substantive fixed payment;
- (b) For the variable lease payment that depends on a certain index or rate, the index or the rate on the lease start date is used for initial measurement;
- (c) The amount of the residual value guarantee expected to be paid; and
- (d) The exercise price or penalty to be paid when it is reasonably certain that the option to purchase or the option to terminate the lease will be exercised.

Subsequent interest on lease liabilities is accrued under the effective interest method, and the amount is remeasured in the following circumstances:

- (a) Changes in the index or rate used to determine lease payments result in changes in future lease payments;
- (b) There is a change in the amount of the residual value guarantee expected to be paid;
- (c) There is a change in the evaluation of the purchase option on the subject asset;
- (d) There is a change in the estimate of whether to exercise the extension or termination option, and thus the assessment of the lease period is changed;
- (e) The subject, scope, or other terms and conditions of the lease are modified.

When the lease liability is remeasured due to changes in the index or rate used to determine the lease payment, changes in the residual value guarantee amount, and changes in the evaluation of the purchase, extension, or termination options, the book value of the right-of-use assets is adjusted accordingly. The remaining remeasured amount is recognized in profit or loss when the book value of the right-of-use assets is reduced to zero.

For a lease modification that reduces the scope of the lease, the book value of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the this and the remeasured amount of the lease liability is recognized in profit or

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

loss.

The Company presents the right-of-use assets and lease liabilities that do not meet the definition of investment property as separate line items in the balance sheet.

For short-term leases and leases of low-value underlying assets, the Company chooses not to recognize right-of-use assets and lease liabilities but instead recognizes the relevant lease payments as expenses on a straight-line basis over the lease period.

b. Lessor

For transactions in which the Company is a lessor, the lease contract is classified on the lease date according to whether almost all the risks and returns attached to the ownership of the underlying asset are transferred; if yes, the lease contract is classified as a financing lease; otherwise, it is classified as an operating lease. When making the evaluation, the Company considers relevant specific indicators including whether the lease period covers the main part of the economic life of the underlying assets.

If the Company is a sub-lessor, it shall manage the main lease and sublease transactions separately, and use the right-of-use assets generated from the main lease to assess the classification of the sublease transactions. If the main lease is a short-term lease and the recognition exemption is applicable, the sublease transaction of the main lease shall be classified as an operating lease.

For the contract containing lease and non-lease components, the Company shares the consideration specified in the contract in accordance with IFRS 15.

(11) Intangible assets

a. Recognition and measurement

Expenditures related to research activities are recognized in profit or loss when incurred.

Development expenditure shall be capitalized only when the type of development expenditure can be reliably measured, the technical or commercial feasibility of the product or process has been achieved, economic benefits are likely to flow into the Company, and the Company intends and has sufficient resources to complete, make use of or sell the development. Other development expenditures are recognized in profit or loss when incurred. After initial recognition, the capitalized development expenditure is measured at its cost less accumulated amortization and accumulated impairment.

b. Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits of the relevant specific assets. All other expenses are recognized as income upon occurrence, including the goodwill and brand developed internally.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

c. Amortization

Except for goodwill, amortization is calculated based on the cost of the assets less the estimated residual value and is recognized in profit or loss using the straight-line method over the estimated service life, starting from the time when the intangible assets reach their usable state.

The estimated service lives for the current period and the comparative period are as follows:

(a) Computer software: 1–3 years

The Company reviews the amortization method, service lives, and residual value of intangible assets on the reporting date every year and makes appropriate adjustments if necessary.

(12) Impairment of non-financial assets

The Company assesses whether there is any indication that the carrying amount of non-financial assets (other than inventories and deferred income tax assets) may be impaired. If any indication exists, the recoverable amount of the asset is estimated.

For the purpose of impairment testing, the group of assets whose cash inflow is mostly independent of other individual assets or asset groups is recognized as the smallest identifiable asset group. Goodwill acquired in a business combination is allocated to each cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the combination.

The recoverable amount is the fair value of an individual asset or a cash-generating unit less the cost of disposal and its value in use, whichever is higher. When the value in use is evaluated, the estimated future cash flow is discounted to its present value based on a pre-tax discount rate, which reflects the present time value of money in the market and specific risks posed to the asset or cash-generating unit.

Impairment losses are recognized when the recoverable amount of an asset or cash-generating unit is lower than its carrying amount.

Impairment losses are recognized immediately in current profit or loss with the carrying amount of the cash-generating unit's amortized goodwill reduced first; then the carrying amount of each asset in proportion to the carrying amount thereof in the unit reduced.

(13) Revenue from customer contracts

Revenue is measured based on expected consideration entitled to obtain against transfer of goods or services. The Company recognizes revenue when the control of the product or service is transferred to the customer and the performance obligation is satisfied. The Company's main revenue items are described as follows:

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

a. Sales of goods

The Company manufactures electronic products, sells them in the market, and recognizes revenue when physical products are delivered to the customer. The price is paid immediately when the customer purchases the product.

The Company gives customers a return period, so it adjusts the expected return when recognizing the revenue, and recognizes the refund liability and the product return rights. Based on the experience accumulated in the past, the Company estimates the expected return at the time of sale in a combined manner (expected value). As the number of returns in the past years was stable, it is highly probable that there will be no significant reversal in the accumulated revenue. The Company reevaluates the estimation of expected returns on each reporting date.

b. Financial components

The Company expects that all customer contracts specify a period of no more than one year between transferring goods or services to customers and the customer's payment for such goods or services. Therefore, the Company does not adjust the time value of money of the transaction price.

(14) Employee benefits

a. Defined contribution plan

The contribution obligation of the defined contribution plan is recognized as an expense within the service period of the employee. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

b. Short-term employee benefits

Short-term employee benefits are recognized as expenses when the relevant services are provided. If the Company has a present legal or constructive obligation to pay for the services rendered by employees in the past and such obligation can be estimated reliably, the amount is recognized as a liability.

(15) Share-based payment transaction

The share-based payment of compensations and rewards for the equity settlement to employees are recognized as compensation cost and the relative equity is added based on the fair value on the grant date when the employees are entitled to the compensation unconditionally. The recognized compensation cost is adjusted according to the expected compensations and rewards that meet the service conditions and the non-market price vesting conditions. The amount recognized ultimately is measured based on the rewards that meet the service conditions and the non-market price vesting conditions on the vesting date.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

The non-vesting conditions of the share-based payment of compensations and rewards have been reflected in the measurement of the fair value of the share-based payment on the grant date, and the difference between the expected and actual results does not need to be verified and adjusted.

The grant date under the share-based payment arrangement of the Company is the date when the Board of Directors approves the subscription price and the employees are allowed to subscribe for the shares.

(16) Income tax

Income tax consists of current and deferred income taxes. Except for those related to business combination and recognized directly in equity or other comprehensive income, current income tax and deferred income tax shall be recognized in profit or loss.

The current income tax includes the expected income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustment to the income tax payable or tax refund receivable of the previous year. The amount is the best estimate of the expected payment or receipt at the statutory tax rate or tax rate substantially enacted on the reporting date.

Deferred income tax is measured and recognized based on the temporary differences between the book value of assets and liabilities on the reporting date and their tax bases. Temporary differences arising from the following circumstances are not recognized as deferred income tax:

- a. Assets or liabilities that are not part of the initial recognition of a business merger transaction, and (i) do not affect the accounting profit and taxable income (loss) and (ii) do not generate equivalent taxable and deductible temporary differences at the time of the transaction;
- b. For the temporary differences arising from investments in subsidiaries, affiliates, and joint ventures, for which the Company can control the timing of the temporary difference reversal, and the reversal is very unlikely to occur in the foreseeable future; and
- c. The taxable temporary difference arising from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses and unused tax credits carried forward to the extent that it is probable that future taxable income will be available against which the deferred income tax assets can be utilized, together with deductible temporary differences. Deferred tax assets are reassessed at each reporting date and reduced to the extent that it is not probable that the related income tax benefit will be realized, or the amount of the reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

Deferred income tax is measured at the tax rate that is expected to apply when the temporary differences reverse, using either the statutory tax rate or the effective legislative tax rate at the reporting date.

The Company will offset the deferred income tax assets and liabilities when all of the following conditions are met:

- a. Has the legally enforceable right to offset current income tax assets and current income tax liabilities; and
- b. Deferred income tax assets and deferred income tax liabilities are related to one of the following tax entities on which taxes are levied by the same taxation authority;
 - (a) The same taxable entity; or
 - (b) Different taxable entities, provided that each entity intends to settle current income tax liabilities and assets on a net basis, or to realize assets and settle liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

(17) Earnings per share

The Company shows basic and diluted earnings per share attributable to the Company's common stock shareholders. The Company's basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the Company's ordinary shares by the weighted-average number of common shares outstanding in the current period. Diluted earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company's common shares by the weighted-average number of common stocks outstanding, adjusted for the effect of all dilutive potential common shares. The potential diluted common stocks of the Company includes the estimated remuneration to employees.

(18) Information on operating segments

The Company has disclosed the department information in the consolidated financial statements; therefore, the department information was not disclosed in the parent company only financial statements.

5. Critical accounting judgments and key sources of estimation and uncertainty

The preparation of these parent company only financial statements requires the management to make judgments and assessment of the future (including climate-related risks and opportunities) for their effect on the adoption of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from the estimates.

Management reviews estimates and underlying assumptions on an ongoing basis to make sure they are consistent with the Company's risk management and climate-related commitments;

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

changes in estimates are recognized in the period of change and in the future periods affected.

The financial statements do not include information on accounting policies that involve significant judgments.

Information about uncertainties in assumptions and estimates that may have a significant risk of causing adjustment in the subsequent year is as follows:

(1) Inventory valuation of subsidiaries adopting equity method

In the financial statements of the subsidiaries that adopt the equity method, inventories should be measured at the lower of cost or net realizable value. Considering normal wear and tear, obsolescence, or no market selling value on the balance sheet date, the Company wrote down the cost of inventories to the net realizable value. The inventories are valued mainly based on the product demand during a specific period in the future, so there may be significant changes due to rapid changes in the industry.

The Company's accounting policies and disclosures include the use of fair value to measure its non-financial assets and liabilities. The Company has established relevant internal control systems to measure fair value, and assign personnel to review the input values of major parameters and assumptions to ensure that the evaluation results are reasonable.

When the Company measures the assets and liabilities, it uses market-observable inputs if possible. The fair value level is decided based on the fair value input and classified as follows:

- Level 1: The open quotation (unadjusted) of the same assets or liabilities in an active market
- Level 2: In addition to the open quotation included in the first level, the input parameters of the assets or liabilities can be observed directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: The input parameters of the assets or liabilities are not based on observable market data (non-observable parameters).

If there is a transfer between different fair value levels, the Company will recognize the transfer on the reporting date. For relevant information on the assumptions adopted to measure the fair value, please refer to Note 6(18).

6. Summary of significant accounting items

(1) Cash and cash equivalents

	<u>12.31.2024</u>	<u>12.31.2023</u>
Cash on hand and working funds	\$ 239	263
Check and demand deposit	183,658	97,133
Time deposit	<u>309,013</u>	<u>362,804</u>
Cash and cash equivalents in the statement of cash flows	<u>\$ 492,910</u>	<u>460,200</u>

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

Please refer to Note 6(18) for the disclosure of the interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

(2) Financial assets measured at amortized cost

	12.31.2024	12.31.2023
Certificates of deposit	<u>\$ -</u>	<u>10,440</u>

The Company assesses that these assets are held to maturity to collect the contractual cash flows and that the cash flows from these financial assets are solely attributable to the payment of principal and interest on the outstanding principal amount and are therefore reported as financial assets at amortized cost.

For credit risk and market risk information please refer to Note 6(18).

(3) Accounts receivable, net

	12.31.2024	12.31.2023
Accounts receivable	\$ 718,888	540,504
Less: Allowance for loss	<u>(88)</u>	<u>(689)</u>
	<u>\$ 718,800</u>	<u>539,815</u>

The Company adopts a simplified approach to estimate expected credit losses for all accounts receivable, which are measured at lifetime expected credit losses. To this end, such accounts receivable are grouped by common credit risk characteristics that represent a customer's ability to pay all amounts due as per the contract terms with forward-looking information incorporated. The expected credit losses of the accounts of the Company are analyzed as follows:

	12.31.2024	
	Book value of accounts receivable	Weighted- average rate of expected credit loss
Not past due	\$ 710,126	0~1%
Overdue for 0 to 30 days	<u>8,762</u>	<u>1%</u>
Total	<u>\$ 718,888</u>	<u>88</u>

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

	12.31.2023		
	Book value of accounts receivable	Weighted- average rate of expected credit loss	Allowance for expected credit losses over the duration
Not past due	\$ 523,840	0~1%	522
Overdue for 0 to 30 days	16,664	1%	167
Total	<u>\$ 540,504</u>		<u>689</u>

The movements in allowances for losses on the Company's accounts receivable are as follows:

	2024	2023
Balance at the beginning of period	\$ 689	2,095
Reversal gain on impairment loss	(601)	(1,406)
Balance at the end of period	<u>\$ 88</u>	<u>689</u>

(4) Inventory

	12.31.2024	12.31.2023
Goods	<u>\$ 62,594</u>	<u>32,387</u>

The inventory related expenses (gains) recognized by the Company as sales costs and expenses for 2024 and 2023 are as follows:

	2024	2023
Sales cost	\$ 1,412,382	1,169,663
Inventory devaluation and obsolescence loss (reversal profit)	147	(730)
Others	3,674	(11,385)
	<u>\$ 1,416,203</u>	<u>1,157,548</u>

As of December 31, 2024 and 2023, no inventories of the Company were mortgaged and pledged as collateral.

(5) Investments under the equity method

The investment of the Company under the equity method on the reporting date is as follows:

	12.31.2024	12.31.2023
Subsidiary	<u>\$ 476,532</u>	<u>433,479</u>

- a. For the aforementioned details on the subsidiaries, please refer to the consolidated financial statements of 2024.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

- b. The Company increased the investment in Vietnam in 2024, with an advance investment of NTD 29 thousand.
- c. As of December 31, 2024 and 2023, no investments of the Company under the equity method were pledged as collateral.

(6) Property, plant and equipment

The changes in the cost and cumulative depreciation of the Company's property, plant and equipment in 2024 and 2023 are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Lease improvement</u>	<u>Other equipment</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2024 \$	-	-	4,887	11,200	16,087
Addition	222,557	115,962	-	17,779	356,298
Disposal	-	-	(2,824)	(18)	(2,842)
Transfer in	-	-	-	469	469
Balance as of December 31, 2024	<u><u>\$ 222,557</u></u>	<u><u>115,962</u></u>	<u><u>2,063</u></u>	<u><u>29,430</u></u>	<u><u>370,012</u></u>
Balance as of January 1, 2023 \$	291,899	22,430	4,571	16,073	334,973
Addition	-	-	316	1,250	1,566
Disposal	(291,899)	(22,430)	-	(6,123)	(320,452)
Balance as of December 31, 2023	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>4,887</u></u>	<u><u>11,200</u></u>	<u><u>16,087</u></u>
Cumulative depreciation and impairment loss:					
Balance as of January 1, 2024 \$	-	-	3,457	4,710	8,167
Depreciation for the current year	-	1,610	351	2,479	4,440
Disposal	-	-	(2,824)	(16)	(2,840)
Balance as of December 31, 2024	<u><u>\$ -</u></u>	<u><u>1,610</u></u>	<u><u>984</u></u>	<u><u>7,173</u></u>	<u><u>9,767</u></u>
Balance as of January 1, 2023 \$	-	1,510	3,386	8,775	13,671
Depreciation for the current year	-	431	71	2,058	2,560
Disposal	-	(1,941)	-	(6,123)	(8,064)
Balance as of December 31, 2023	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>3,457</u></u>	<u><u>4,710</u></u>	<u><u>8,167</u></u>
Book value:					
December 31, 2024	<u><u>\$ 222,557</u></u>	<u><u>114,352</u></u>	<u><u>1,079</u></u>	<u><u>22,257</u></u>	<u><u>360,245</u></u>
December 31, 2023	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>1,430</u></u>	<u><u>6,490</u></u>	<u><u>7,920</u></u>

As of December 31, 2024 and 2023, none of the aforementioned property, plant and equipment was pledged as collateral.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(7) Right-of-use assets

The changes in the cost and cumulative depreciation of the buildings, transportation equipment, and other equipment leased by the Company are as follows:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost of right-of-use assets:				
Balance as of January 1, 2024	\$ 23,457	3,548	237	27,242
Addition	-	383	-	383
Reduction	-	(330)	-	(330)
Balance as of December 31, 2024	<u><u>\$ 23,457</u></u>	<u><u>3,601</u></u>	<u><u>237</u></u>	<u><u>27,295</u></u>
Balance as of January 1, 2023	\$ 14,656	1,772	237	16,665
Addition	8,801	2,526	-	11,327
Reduction	-	(750)	-	(750)
Balance as of December 31, 2023	<u><u>\$ 23,457</u></u>	<u><u>3,548</u></u>	<u><u>237</u></u>	<u><u>27,242</u></u>
Depreciation and impairment loss of right-of-use assets:				
Balance as of January 1, 2024	\$ 16,327	1,252	237	17,816
Provision for depreciation	4,278	1,048	-	5,326
Reduction	-	(330)	-	(330)
Balance as of December 31, 2024	<u><u>\$ 20,605</u></u>	<u><u>1,970</u></u>	<u><u>237</u></u>	<u><u>22,812</u></u>
Balance as of January 1, 2023	\$ 12,196	991	211	13,398
Provision for depreciation	4,131	1,011	26	5,168
Reduction	-	(750)	-	(750)
Balance as of December 31, 2023	<u><u>\$ 16,327</u></u>	<u><u>1,252</u></u>	<u><u>237</u></u>	<u><u>17,816</u></u>
Book value:				
December 31, 2024	<u><u>\$ 2,852</u></u>	<u><u>1,631</u></u>	<u><u>-</u></u>	<u><u>4,483</u></u>
December 31, 2023	<u><u>\$ 7,130</u></u>	<u><u>2,296</u></u>	<u><u>-</u></u>	<u><u>9,426</u></u>

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(8) Intangible assets

The changes in the cost and amortization of the intangible assets of the Company in 2024 and 2023 are as follows:

	<u>Computer software</u>
Cost:	
Balance as of January 1, 2024	\$ 8,049
Addition	19,968
Derecognized	(1,374)
Transfer in	9,714
Balance as of December 31, 2024	<u><u>\$ 36,357</u></u>
Balance as of January 1, 2023	\$ 12,615
Addition	2,500
Derecognized	(7,066)
Balance as of December 31, 2023	<u><u>\$ 8,049</u></u>
Amortization:	
Balance as of January 1, 2024	\$ 3,480
Current amortization	11,618
Derecognized	(1,374)
Balance as of December 31, 2024	<u><u>\$ 13,724</u></u>
Balance as of January 1, 2023	\$ 8,247
Current amortization	2,299
Derecognized	(7,066)
Balance as of December 31, 2023	<u><u>\$ 3,480</u></u>
Book value:	
Balance as of December 31, 2024	<u><u>\$ 22,633</u></u>
Balance as of December 31, 2023	<u><u>\$ 4,569</u></u>

(9) Lease liabilities

The book value of the Company's lease liabilities is as follows:

	<u>12.31.2024</u>	<u>12.31.2023</u>
Current	<u><u>\$ 3,910</u></u>	<u><u>5,227</u></u>
Non-current	<u><u>\$ 653</u></u>	<u><u>4,263</u></u>

For maturity analysis, please refer to Note 6(18) Financial instruments.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

The amount of the lease recognized in profit or loss is as follows:

	2024	2023
Interest expense on lease liabilities	<u>\$ 169</u>	<u>164</u>
Expense on short-term lease	<u>\$ 918</u>	<u>727</u>
Expense on low-value lease assets	<u>\$ 154</u>	<u>67</u>

The amount of lease recognized in the statement of cash flows is as follows:

	2024	2023
Total cash outflow from lease	<u>\$ 6,550</u>	<u>6,305</u>

(10) Employee benefits

The Company's defined contribution plan complies with the Labor Pension Act. An amount equivalent to 6% of the employee's monthly wage is appropriated to the personal labor pension account at the Bureau of Labor Insurance. After the Company has appropriated a fixed amount to the Bureau of Labor Insurance, the Company has no legal or constructive obligation to make additional contributions.

The pension expenses under the defined contribution regulations of the Company in 2024 and 2023 were NTD 3,603 thousand and NTD 3,304 thousand, respectively.

(11) Income tax

a. Income tax expense

The details of the Company's income tax expenses for 2024 and 2023 are as follows:

	2024	2023
Income tax expense for the current period	\$ 17,112	4,110
Deferred income tax expense	<u>9,133</u>	<u>22,313</u>
Income tax expense	<u>\$ 26,245</u>	<u>26,423</u>

b. The Company did not have income tax expenses directly recognized in equity or other comprehensive income for 2024 and 2023.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

- c. The relationship of the Company's income tax expense with the pre-tax net profit in 2024 and 2023 is adjusted as follows:

	<u>2024</u>	<u>2023</u>
Pre-tax net profit	\$ 132,181	129,846
Income tax calculated based on the domestic tax rate where the Company is located	26,436	25,969
Changes in the evaluation of realizability of deferred income tax assets	(191)	1,159
Others	-	(705)
	<u>\$ 26,245</u>	<u>26,423</u>

- d. Deferred income tax (assets) and liabilities

- (a) Unrecognized deferred income tax assets

The items not recognized by the Company as deferred income tax assets are as follows:

	<u>12.31.2024</u>	<u>12.31.2023</u>
Deductible temporary difference	<u>\$ 38,987</u>	<u>39,312</u>

- (b) Recognized deferred income tax liabilities

	<u>Portions of the subsidiaries recognized adopting the equity method</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2024 \$	-	-	-
Debit gain or loss	<u>5,527</u>	<u>3,259</u>	<u>8,786</u>
Balance as of December 31, 2024	<u>\$ 5,527</u>	<u>3,259</u>	<u>8,786</u>

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(c) Recognized deferred income tax assets

The changes in deferred income tax assets for 2024 and 2023 are as follows:

	<u>Tax loss</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2024 \$	(347)	-	(347)
Debit (credit) income statement	<u>347</u>	<u>-</u>	<u>347</u>
Balance as of December 31, 2024	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
January 1, 2023	\$ (21,146)	(1,514)	(22,660)
Debit (credit) income statement	<u>20,799</u>	<u>1,514</u>	<u>22,313</u>
Balance as of December 31, 2023	<u><u>\$ (347)</u></u>	<u><u>-</u></u>	<u><u>(347)</u></u>

e. The profit-making enterprise income tax returns of the Company have been assessed by the tax authorities up to 2022.

(12) Capital and other equity

The Company's total authorized capital amounted to NTD 1,000,000 thousand as of both December 31, 2024 and 2023 (including NTD 7,500 thousand reserved for employee share options). The par value per share was NTD 10 The issued shares are as follows:

Unit: Thousand shares

	<u>2024</u>	<u>2023</u>
Balance at the beginning of period	50,878	43,448
Capital increase from earnings	3,122	7,430
Capital increase in cash	<u>6,000</u>	<u>-</u>
Balance at the end of period	<u><u>60,000</u></u>	<u><u>50,878</u></u>

a. Issuance of common stock capital

On June 19, 2024, the Company's shareholders' meeting resolved to increase capital from 2023 distributable earnings by issuing 3,122 thousand new shares of NTD 10 per share. The relevant legal registration procedures have been completed.

On December 27, 2023, the Company's Board of Directors resolved to issue 6,000 thousand shares for capital increase in cash with a par value of NTD 60 per share. The relevant legal registration procedures have been completed.

On June 20, 2023, the Company's shareholders' meeting resolved to increase capital from 2022 distributable earnings by issuing 7,430 thousand new shares of NTD 10 per share. The relevant legal registration procedures have been completed.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

b. Capital reserve

	12.31.2024	12.31.2023
Premium from issuance of shares	\$ 700,737	400,299
Expired employee stock options	289	289
	<u>\$ 701,026</u>	<u>400,588</u>

Pursuant to the Company Act, capital reserve shall be used to make up losses before distributing new shares or cash to the extent of realized capital reserve based on the original shareholding percentage of the shareholders. The realized capital reserve mentioned in the preceding paragraph includes the premium of the shares issued in excess of the par value and the income from gifts received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of the capital reserve that may be appropriated for capitalization shall not exceed 10% of the paid-in capital in a year. If the capital reserve is transferred from the premium on issuance of shares into capital, it shall only be transferred into capital in the year following the year when the generated capital reserve is approved by the competent authority.

The Company's Board of Directors resolved on March 30, 2023 to distribute cash dividends of NTD 0.342 per share from capital reserve to a total amount of NTD 14,859 thousand. The resolution was approved at the shareholders' meeting on June 20, 2023.

c. Retained earnings

According to the Articles of Incorporation of the Company, if there is a surplus in the annual final accounts, the Company shall first pay taxes and make up for the losses of previous years, and then set aside 10% of the balance as a legal reserve. However, this is not applicable if the legal reserve has reached the same amount as the paid-in capital. The remainder shall be set aside or reversed as a special reserve in accordance with the laws and regulations of the competent authorities. If there is still a balance, it shall be combined with the undistributed earnings of the previous years, and the Board of Directors shall prepare a distribution proposal and submit it to the shareholders' meeting for resolution.

The Company's business is growing. The dividend distribution policy shall depend on the Company's current and future investment environment, capital needs, domestic and foreign competition, and capital budgets, while taking into account shareholders' rights and interests, balancing dividends, and the Company's long-term financial planning, etc. The Board of Directors shall prepare a proposal for distribution in accordance with the law every year, and submit it to the shareholders' meeting for resolution. The Company's shareholders' dividends may be paid in cash or shares. The total amount of shareholders' dividends shall not be less than 5% of the distributable earnings. The percentage of cash dividends

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

distributed to shareholders shall not be less than 10% of the total amount of shareholders' dividends.

(a) Legal reserve

When the Company has no losses, the shareholders' meeting may resolve to distribute new shares or cash from the legal reserve, to the extent of the portion of such reserve that exceeds 25% of the paid-in capital.

(b) Special reserve

When the Company allocates distributable earnings, for the net deduction amount debited to other shareholders' equity in the current period, the same amount of special reserve is appropriated from the current profit or loss and the undistributed earnings of the previous period; for the accumulated deductions of other shareholders' equity, a special reserve of the same amount shall be set aside from undistributed earnings in the previous period and shall not be distributed. If the deduction amount debited to other shareholders' equity is reversed afterwards, the reversed portion may be distributed as earnings.

(c) Distribution of earnings

The Company's 2023 and 2022 earnings distribution proposals were resolved in the shareholders' meeting on June 19, 2024 and June 20, 2023, respectively, as follows:

	2023		2022	
	Distribution rate (NTD/share)	Amount	Distribution rate (NTD/share)	Amount
Dividends distributed to common stock owners:				
Cash dividend	\$ 0.7787	\$ 44,291	0.19	8,255
Stock dividend	0.5489	<u>31,220</u>	1.71	<u>74,297</u>
	- \$	<u>75,511</u>	-	<u>82,552</u>

(13) Share-based payment

- a. On December 27, 2023, the Company's Board of Directors approved the capital increase in cash by issuing new shares for public underwriting before listing. February 2, 2024 was set as the record date for the issuance of new shares. Pursuant to the Company Act, a total number of 317,842 newly issued shares were reserved for employees' subscription. All the proceeds from the issuance of new shares have been collected and the relevant legal registration procedures have been completed. The compensation cost recognized for 2024 was NTD 438 thousand.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

- b. For the aforementioned employee stock ownership plans, the fair value of the share-based payment on the grant date is estimated using the option pricing model of Black-Scholes. The inputs for the model are as follows:

	<u>2024</u>
	Capital increase in cash reserved for employees' subscription
Stock price on the grant date	56.68
Execution price	60.00
Expected volatility (%)	47.68%
Duration of stock options (year)	0.06
Risk-free interest rate (%)	0.5654%

(14) Earnings per share

a. Basic earnings per share

The basic earnings per share of the Company in 2024 and 2023 are calculated based on the net income and the weighted-average number of outstanding common shares. The impact of the stock dividend has been adjusted retrospectively. The relevant calculation is as follows:

	<u>2024</u>	<u>2023</u>
Net profit attributable to shareholders of the Company's common stock	<u>\$ 105,936</u>	<u>103,423</u>
Weighted-average number of outstanding common shares (thousand shares)	<u>58,849</u>	<u>54,000</u>
Basic earnings per share (NTD)	<u>\$ 1.80</u>	<u>1.92</u>
Basic earnings per share before retrospective adjustment (NTD)		<u>\$ 2.03</u>

b. Diluted earnings per share

	<u>2024</u>	<u>2023</u>
Net profit attributable to shareholders of the Company's common stock (diluted)	<u>\$ 105,936</u>	<u>103,423</u>
Weighted-average number of outstanding common shares (diluted) (thousand shares)		
Weighted-average number of outstanding common shares (basic)	58,849	54,000
Effect of remuneration to employees	<u>204</u>	<u>218</u>
Weighted-average number of common shares outstanding (diluted)	<u>59,053</u>	<u>54,218</u>
Diluted earnings per share (NTD)	<u>\$ 1.79</u>	<u>1.91</u>
Diluted earnings per share before retrospective adjustment (NTD)		<u>\$ 2.02</u>

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(15) Revenue from customer contracts

a. Details of revenue

	<u>2024</u>	<u>2023</u>
Major regional markets		
China	\$ 630,732	811,359
Taiwan	982,403	540,024
Other countries	<u>32,998</u>	<u>27,737</u>
Total	<u><u>\$ 1,646,133</u></u>	<u><u>1,379,120</u></u>
Major products:		
Thermal module	\$ 1,646,095	1,379,098
Others	<u>38</u>	<u>22</u>
Total	<u><u>\$ 1,646,133</u></u>	<u><u>1,379,120</u></u>

b. Contract balance

Please refer to Note 6(3) for the disclosure of accounts receivable and their impairment.

	<u>12.31.2024</u>	<u>12.31.2023</u>	<u>1.1.2023</u>
Contract liabilities	<u><u>\$ 1,294</u></u>	<u><u>-</u></u>	<u><u>317</u></u>

The balance of contract liabilities at the beginning of the period on January 1, 2024 and 2023 was recognized as income for 2024 and 2023 to the amount of NTD 0 thousand and NTD 317 thousand, respectively.

(16) Remuneration to employees and directors

According to the Articles of Incorporation, if there is a profit in the year, no less than 3% of the profit shall be set aside as remuneration to employees and no more than 3% as remuneration to directors. The remuneration to employees as mentioned in the preceding paragraph may be paid in the form of stock or in cash. The recipients of the distribution include the employees of the controlled or affiliated companies who meet the criteria set forth by the Board of Directors. The remuneration to directors as mentioned in the preceding paragraph may only be paid in cash. However, if the Company has accumulated loss, the amount to make up the loss should be reserved first. The distribution proportion of remuneration to employees and directors for the current year shall be resolved by the Board of Directors with the presence of at least two-thirds of the directors and the approval of a majority of the directors present, and it shall be reported to the shareholders' meeting.

The estimated amounts of the Company's employee remuneration for 2024 and 2023 were NTD 4,214 thousand and NTD 4,140 thousand, respectively, and the estimated amounts of directors' remuneration were NTD 4,074 thousand and NTD 4,002 thousand, respectively,

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

calculated based on the pre-tax net profit of each period minus the amount prior to distribution of the remuneration to employees and directors and multiplied by the distribution percentage as set forth in the Articles of Incorporation. The operating costs or expenses for 2024 and 2023 are reported. Please visit the MOPS for the relevant information. There is no difference between the distributed amount of remuneration to employees and directors resolved by the Board of Directors as mentioned above and the estimated amount in the 2024 and 2023 parent company only financial statements of the Company.

(17) Non-operating revenue and expense

a. Other revenue

Other revenue of the Company in 2024 and 2023 is as follows:

	2024	2023
Rent income	\$ 35	788
Others	494	239
	\$ 529	1,027

b. Other gains and losses

Other gains and losses of the Company in 2024 and 2023 are as follows:

	2024	2023
Gain (loss) on disposal of property, plant and equipment	\$ (1)	21,067
Gain (loss) from foreign currency exchange	22,787	(2,427)
Others	15,830	19,961
	\$ 38,616	38,601

(18) Financial instruments

a. Credit risk

(a) Credit risk exposure

The book value of the financial assets represents the maximum credit risk exposure.

(b) Concentration of credit risk

The Company's credit risk is mainly affected by the nature of credit loans of each creditor, and the industry in which the customer is operating also has an impact on the credit risk. As of December 31, 2024 and 2023, the percentage of the Company's total accounts receivable from the top five customers was 88% and 83%, respectively.

b. Liquidity risk

The liquidity risk exists when the Company is unable to deliver cash or other financial assets to settle financial liabilities and perform related obligations. The Company manages and maintains sufficient cash and cash equivalents to support operations and mitigate the

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

impact of cash flow fluctuations.

The following table shows the maturity analysis of the financial liability contracts. It is compiled based on the earliest repayment date required by the Company and the non-discounted cash flow of the financial liabilities, including interest and principal cash flows.

	<u>Book value</u>	<u>Contract cash flow</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2024						
Notes and accounts payable	\$ 465,708	465,708	465,708	-	-	-
Lease liabilities	4,563	4,680	4,014	666	-	-
Other payables	83,026	83,026	83,026	-	-	-
	<u>\$ 553,297</u>	<u>553,414</u>	<u>552,748</u>	<u>666</u>	<u>-</u>	<u>-</u>
December 31, 2023						
Notes and accounts payable	\$ 305,697	305,697	305,697	-	-	-
Lease liabilities	9,490	9,705	5,391	3,830	484	-
Other financial liabilities	18,483	18,483	18,483	-	-	-
	<u>\$ 333,670</u>	<u>333,885</u>	<u>329,571</u>	<u>3,830</u>	<u>484</u>	<u>-</u>

The Company does not expect that the cash flow in the maturity date analysis will occur significantly earlier or that the actual amount will be significantly different.

c. Market risk

Market risk refers to the risk of changes in the Company's income or the value of financial instruments held due to changes in the price, such as exchange rate, interest rate and equity instrument. The objective of market risk management is to control the market risk exposure within the tolerable range and optimize return on investment.

(a) Foreign exchange rate risk

The Company's financial assets and liabilities exposed to significant exchange rate risk.

	<u>12.31.2024</u>			<u>12.31.2023</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary item</u>						
USD	\$ 26,016	32.785	852,935	21,497	30.705	660,065
<u>Non-monetary item</u>						
USD	14,535	32.785	476,532	14,118	30.705	433,479
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD	14,597	32.785	478,563	10,493	30.705	322,188

Taiwan Microloops Corp.

Notes to Parent Company Only Financial Statements (continued)

The exchange rate risk of the Company mainly comes from the cash and cash equivalents, accounts receivable, financial assets measured at amortized cost, accounts payable and other payables denominated in foreign currencies, which gives rise to exchange gains and losses from translation. When the NTD depreciated or appreciated by 1% against the USD, RMB or EUR on December 31, 2024 and 2023 all other factors remained unchanged, the net income before tax for the years 2024 and 2023 would increase or decrease by NTD 3,744 thousand and NTD 3,379 thousand, respectively.

As the Company has a wide variety of functional currencies, the exchange gains and losses of monetary items are disclosed in a consolidated manner. The exchange gains and losses (including realized and unrealized) for 2024 and 2023 were NTD 22,787 thousand and NTD (2,427) thousand, respectively.

(b) Interest rate analysis

The interest rate of the Company's interest-bearing financial instruments on the reporting date are summarized as follows:

	Book value	
	12.31.2024	12.31.2023
Fixed interest rate instruments:		
Financial assets	\$ 309,013	373,560
Variable interest rate instruments:		
Financial assets	\$ 183,449	96,817

The Company conducts sensitivity analysis based on the interest rate exposure of non-derivative instruments on the reporting date. If the interest rate increases/decreases by 25 base points and all other variables remain unchanged, the Company's pre-tax net profit for 2024 and 2023 would increase or decrease by NTD 459 thousand and NTD 242 thousand, respectively, primarily as a result of the interest rate risk exposure of variable-rate bank deposits.

In addition, the Company's financial assets of fixed interest rate instruments are measured at amortized cost, and the changes in market interest rates on the reporting date have no impact on profit or loss, so no sensitivity analysis of fair value changes is intended to be disclosed.

d. Information on fair value

The book value and fair value of different financial assets and financial liabilities (including fair value information; but disclosure of the fair value information is not needed if the book value of financial instruments not measured at fair value is the reasonable approximate value of the fair value, and it is also not needed for the lease liabilities) are

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

listed as follows:

		12.31.2024				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	492,910				
Accounts receivable, net		718,800				
Other receivables		7,457				
Refundable deposits		3,715				
		<u>\$ 1,222,882</u>				
Financial liabilities measured at amortized cost:						
Notes and accounts payable	\$	456,708				
Other payables		83,206				
Lease liabilities		4,563				
		<u>\$ 544,477</u>				
		12.31.2023				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost:						
Cash and cash equivalents	\$	460,200				
Financial assets measured at amortized cost		10,440				
Accounts receivable, net		539,815				
Other receivables		10,452				
Refundable deposits		2,849				
		<u>\$ 1,023,756</u>				
Financial liabilities measured at amortized cost:						
Notes and accounts payable	\$	305,697				
Other payables		58,657				
Lease liabilities		9,490				
		<u>\$ 373,844</u>				

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(19) Financial risk management

a. Overview

The Company is exposed to the following risks due to use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

The aforementioned risk exposure information, along with the objectives, policies, and procedures of the risk measurement and management that the Company conducts, are further quantified and disclosed in Note 6(18).

b. Risk management framework

The Company's risk management policy aims to identify and analyze the risks facing the Company, set appropriate risk limits and control measures, and monitor the compliance for risks and risk limits. The Company reviews the risk management policies and systems on a regular basis to reflect changes in market conditions and the operations of the Company in a timely manner, aiming to develop a disciplined and constructive control environment so that all employees understand their roles and responsibilities.

The Company's Board of Directors supervises how the management monitors the compliance with the risk management policy and procedures and reviews the appropriateness of the risk management framework for the risks that the Company faces. Internal auditors assist the Company's Board of Directors in its oversight role. These auditors conduct regular and exceptional reviews of risk management controls and procedures and report the results of these reviews to the Board of Directors.

(20) Capital management

The capital management policy of the Company is primarily intended to ensure the necessary financial resources for working capital needs, capital expenditures, and debt repayments over the next twelve months. Therefore, the Company uses the debt ratio as the basis for capital management. The debt ratios on December 31, 2024 and 2023 were 27% and 26% respectively. As of December 31, 2024, the Company's capital management method has not changed.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(21) Investment and financing activities of non-cash transactions

The investment and financing activities of non-cash transactions in 2024 and 2023 are as follows:

a. Acquisition of right-of-use assets through lease. Please refer to Note 6(7).

b. The adjustment of liabilities from financing activities is as follows:

	<u>1.1.2024</u>	<u>Cash flow</u>	<u>Others</u>	<u>12.31.2024</u>
Lease liabilities	<u>\$ 9,490</u>	<u>(5,478)</u>	<u>641</u>	<u>4,653</u>
	<u>1.1.2023</u>	<u>Cash flow</u>	<u>Others</u>	<u>12.31.2023</u>
Long-term borrowings	\$ 217,000	(217,000)	-	-
(including long-term borrowings due within one year)				
Short-term borrowings	30,500	(30,500)	-	-
Lease liabilities	3,315	(5,511)	11,686	9,490
Total liabilities from financing activities	<u>\$ 250,815</u>	<u>(253,011)</u>	<u>11,686</u>	<u>9,490</u>

7. Related party transactions

(1) Parent company and ultimate controller

The Company is the ultimate parent company.

(2) Name and relationship of related parties

The related parties who have transactions with the Company during the period covered by the parent company only financial statements are as follows:

<u>Related party</u>	<u>Relationship with the Company</u>
Microloops Huizhou Corp. (hereinafter referred to as Huizhou)	Subsidiary indirectly invested by the Company
Chao Yuan-Shan	The Chairperson of the Company
Key managerial personnel	Key management

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(3) Significant transactions with related parties

a. Purchases from related parties

The amount of purchase from related parties and outstanding balance:

	Purchase		Accounts payable— related party	
	2024	2023	12.31.2024	12.31.2023
Huizhou	<u>\$ 1,442,091</u>	<u>1,174,769</u>	<u>454,462</u>	<u>303,231</u>

The Company's payment terms for the purchase from related parties are O/A 90 days. Since the Company does not purchase the same products from other suppliers, the purchase price cannot be compared.

b. Other transactions

(a) In 2024 and 2023, the Company purchased samples and molds from related parties to the amount of NTD 11,939 thousand and NTD 2,853 thousand, respectively. As of December 31, 2024 and 2023, the amount not yet paid was NTD 5,151 thousand and NTD 2,853 thousand respectively, which were recorded under other payables.

(b) The Company purchases software on behalf of related parties. As of December 31, 2023, the amount paid in advance for related parties was NTD 2,273 thousand and was recorded under other receivables - related party.

(c) The amount of services provided by related parties to the Company is as follows

	Transaction amount	Other payables — related party
	2024	12.31.2024
Huizhou	<u>\$ 1,557</u>	<u>356</u>

c. Guarantee

The long-term and short-term borrowing lines obtained by the Company from financial institutions were jointly and severally guaranteed by Mr. Chao Yuan-Shan, amounting to NTD 239,836 thousand and NTD 380,622 thousand, respectively, as of December 31, 2024 and 2023.

(4) Remuneration to the management

Remuneration to key management personnel:

	2024	2023
Short-term employee benefits	\$ 29,940	27,397
Post-employment benefits	362	362
	<u>\$ 30,302</u>	<u>27,759</u>

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

8. Assets Pledged: None

9. Significant contingent liabilities and unrecognized contract commitments

(1) The Company had the following contract commitments that were not recognized:

	<u>12.31.2024</u>	<u>12.31.2023</u>
Acquisition of software equipment	<u>\$ -</u>	<u>17,863</u>
Acquisition of labor contracts	<u>\$ 1,737</u>	<u>851</u>
Acquisition of equipment	<u>\$ 582</u>	<u>470</u>

(2) In March 2023, the Investigation Bureau of the Ministry of Justice requested the Company to provide documents because an employee was suspected of using unauthorized software while performing official duties. The Company receives a written ruling not to prosecute from a public prosecutor of the Taiwan New Taipei District Prosecutors Office on March 15, 2024. The case has been terminated with a decision of exempted prosecution pronounced to the Company, the responsible person, and the employee of the Company.

(3) The Company entered into an intermediary service contract with a counterparty. However, both parties disagreed on the terms of the contract and the client requested the Company to pay a labor service fee of NTD 5,100 thousand. New Taipei District Court made a judgment on August 30, 2024 to dismiss the petition for provisional execution and the appeal to the second instance.

10. Major Disaster Loss: None

11. Material Events after the Balance Sheet Date: None

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

12. Others

Employee benefits, depreciation, depletion and amortization expenses by function are summarized as follows:

Function Nature	2024			2023		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee benefit expense						
Payroll expense	-	92,216	92,216	-	82,528	82,528
Labor and health insurance expense	-	7,200	7,200	-	6,266	6,266
Pension expense	-	3,603	3,603	-	3,304	3,304
Remuneration to directors	-	6,024	6,024	-	5,727	5,727
Other employee benefit expenses	-	6,991	6,991	-	5,289	5,289
Depreciation expense	-	9,766	9,766	-	7,728	7,728
Amortization expense	-	11,618	11,618	-	2,299	2,299

As of December 31, 2024 and 2023, the number of employees was 89 and 73 persons, respectively. Five of these employees did not serve as a director concurrently.

13. Other Disclosures

(1) Information on significant transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the material transactions to be disclosed by the Company in 2024 are as follows:

- a. Lending of funds to others: None.
- b. Endorsements/guarantees to others: None.
- c. Securities held at the end of the period (excluding investment in subsidiaries, affiliates and joint ventures):

Unit: NTD Thousand

Holder	Type and name	Affiliation to the issuer	Title	End of period				Remarks
				Shares	Book value	Shareholding %	Market price	
Huizhou	Shaanxi Zhonghui Zhijie Technology Limited.	None	Financial assets measured at fair value through other comprehensive income – non-current	-	-	17.00 %	-	Note

Note: Fully recognized as losses for 2023.

Taiwan Microloops Corp.

Notes to Parent Company Only Financial Statements (continued)

- d. Cumulative amount of the same securities purchased or sold reaching NTD 300 million or more than 20% of the paid-in capital: None.
- e. Acquisition of property amounting to NTD 300 million or more than 20% of the paid-in capital:

Unit: NTD Thousand

Acquiring company	Asset	Date of transaction or occurrence	Transaction amount	Payment status	Counterparty	Relation	If the trading counterparty is a related party, the information of the previous transfer				Reference for price determination	Purpose of acquisition and use status	Other agreements
							Owner	Relationship with the issuer	Date of transfer	Amount			
The Company	Land and building	5.21.2024	286,300	Fully paid	Tech-Lin's Electronics Corp.	None	-	-	-	-	Appraisal report	Business need	-

- e. Disposal of real estate amounting to NTD 300 million or more than 20% of the paid-in capital: None.
- g. Purchase from or sale to related parties amounting to NTD 100 million or more than 20% of the paid-in capital:

Unit: NTD Thousand

Purchaser (seller)	Counterparty	Relation	Transaction				Description and reasons for differences in trading conditions from those of regular transactions		Notes and accounts receivable (payable)		Remarks
			Purchase (sale)	Amount	Percentage in total purchases (sales)	Credit period	Unit price	Credit period	Balance	Percentage in total notes/accounts payable	
The Company	Huizhou	Subsidiary indirectly invested by the Company	Purchase	1,442,091	99.96%	O/A 90 days	Case by case	No significant difference from normal customers or suppliers	(454,462)	(99.51)%	
Huizhou	The Company	Parent company	(Sale)	(1,442,091)	(80.09)%	"	"	"	454,462	79.51%	

- h. Receivables from related parties amounting to NTD 100 million or more than 20% of the paid-in capital:

Unit: NTD Thousand

Companies stated into accounts receivable	Counterparty	Related party	Balance of receivables from related parties	Turnover	Overdue receivables from related parties		Accounts receivable – related party Subsequent recovered amount	Allowance set aside for bad debt
					Amount	Handling		
Huizhou	The Company	Parent company	454,462	3.81	-	-	151,283	-

(Note) Information as of February 21, 2025

- i. Engagement in derivative transactions: None.

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

(2) Information on investees

The investees of the Company in 2024 are as follows (excluding investees in Mainland China):

Investor	Investee	Territory	Main business operations	Initial investment amount		Holding at the end of period			Gain (loss) from investee company in current period	Profit (loss) from investments recognized in current period	Remarks
				End of current period	End of the previous period	Number of shares (thousand)	Ratio	Book value			
The Company	Microloops Technology (SAMOA) Corp.	Samoa	Investment business	644,149	644,149	20,621	100%	476,532	26,696	27,637	-
The Company	Microloops Vietnam Corp. Company Limited	Vietnam	Operation business	-	-	-	-	-	-	-	Note

Note : The company registered on December 17, 2024; however, the capital had not been fully remitted as of the year ended 2024.

(3) Information on investments in Mainland China:

a. Investee in Mainland China and main business operations:

Unit: NTD Thousand

Investee in Mainland China	Main business operations	Paid-in capital	Mode of investment (Note 2)	Accumulated amount of investments from Taiwan at the beginning of current period	Amount of investments remitted or recovered in current period		Accumulated amount of investments from Taiwan at the end of current period	Gain (loss) from investee company in current period	The Company's shareholding of direct or indirect investment	Profit (loss) from investments recognized in current period	Book value of investment at the end of period	Profit received from investments as of the end of current Period
					Remitted	Recovered						
Huizhou	Manufacture of peripheral products related to thermal modules	369,268	(Note 2)	369,268	-	-	369,268	26,720	100.00%	26,720	485,564	-

Note 1: The investment gain/loss from investments as of December 31, 2024 is derived from the valuation of the investee company's financial statements audited by the CPAs of the parent company in Taiwan during the same period.

Note 2: The investment in the company in Mainland China is made through a company invested and established in a third region.

b. Investment limit in Mainland China:

Accumulated amount of investments from Taiwan to Mainland China at the end of current period	Amount of investment approved by the Investment Commission, MOEA	Limit on the amount of investments in Mainland China specified by the Investment Commission, MOEA
369,268	369,268	943,659

Taiwan Microloops Corp.
Notes to Parent Company Only Financial Statements (continued)

c. Significant transactions

As for significant direct or indirect transactions between the Company and the investee company in Mainland China in 2024 (written off when the consolidated financial statements were prepared), please refer to “Business relationships and significant transactions between the parent company and subsidiaries.”

14. Information on Operating Segments

Please refer to 2024 consolidated financial statements.

Taiwan Microloops Corp.
Statement of Cash and Cash Equivalent

December 31, 2024

Unit: NTD Thousand

Item	Summary	Amount
Cash	Mainly USD 2,000, @ 32.785 and RMB 7,000, @4.478, etc.	\$ 129
Petty cash		110
Bank deposit:		
Foreign exchange deposit	USD 2,161 thousand, @32.785	70,832
Demand deposit		112,616
Time deposit		309,013
Check deposit		210
Total		<u><u>\$ 492,910</u></u>

Statement of Accounts Receivable

Customer	Summary	Amount
Company A001	Operating	\$ 423,218
Company A017	"	63,465
Company A004	"	55,688
Company A005	"	44,401
Company A002	"	42,397
Others (Note)	"	89,719
		718,888
Less: Allowance for doubtful accounts		(88)
Total		<u><u>\$ 718,800</u></u>

Note: The total amount of the items less than 5% of the balance under this title.

Taiwan Microloops Corp.

Statement of Inventories

December 31, 2024

Unit: NTD Thousand

Item	Amount	
	Cost	Net realized value
Goods	\$ 62,827	<u><u>77,744</u></u>
Less: Allowance losses on inventory devaluation, obsolescence	(233)	
Inventory, net	<u><u>\$ 62,594</u></u>	

Taiwan Microloops Corp.
Statement of Changes in Investment under the equity method
For The Years Ended December 31, 2024

Unit: NTD Thousand

	Balance at the beginning of period		Increase in current period		Decrease in current period		Other changes		Balance at the end of period			Market price or net equity	Guarant ee or pledge
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Sharehold ing %	Amount		
Investee company													
Microloops Technology (SAMOA) Corp.	20,621	<u>\$ 433,479</u>	-	<u>-</u>	-	<u>-</u>	-	<u>43,053</u>	20,621	100.00%	<u>476,532</u>	<u>476,532</u>	None

Taiwan Microloops Corp.
Statement of Changes in Property, Plant and
Equipment
For The Years Ended December 31, 2024

Unit: NTD
Thousand

Please refer to Note 6(6) of the parent company only financial statement.

Statement of Changes in Right-of-Use Assets

Please refer to Note 6(7) of the parent company only financial statement.

Statement of Changes in Intangible Assets

Please refer to Note 6(8) of the parent company only financial statement.

Taiwan Microloops Corp.
Statement of Notes and Accounts Payable
(Including Related Party)

December 31, 2024

Unit: NTD Thousand

Item	Summary	Amount
Accounts payable - related party	Operating	\$ 454,462
Others (Note)	"	2,246
		<u>\$ 456,708</u>

Note: The total amount of the items less than 5% of the balance under this title.

Statement of Other Payables
(Including Related Party)

Item	Summary	Amount
Salary and bonus payable		\$ 36,117
Remuneration payable to directors		4,074
Remuneration payable to employees		4,214
Expenses payable	Labor and health insurance premiums, freights, and software maintenance fees payable	4,847
Other payables – related party		5,507
Other payables	Software fees payable	9,058
Others		19,209
		<u>\$ 83,026</u>

Taiwan Microloops Corp.
Statement of Other Current Liabilities
December 31, 2024

Unit: NTD
Thousand

<u>Item</u>	<u>Amount</u>
Refund liabilities	\$ 18,602
Provision for liabilities	2,647
Income tax payable	15,274
Others (Note)	<u>1,586</u>
	<u>\$ 38,109</u>

Note: The total amount of the items less than 5% of the balance under this title.

Taiwan Microloops Corp.
Statement of Operating Revenue
For The Years Ended December 31, 2024 **Unit: NTD Thousand**

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Thermal module	5,879 thousand pcs	\$ 1,646,095
Others		<u>38</u>
Total		<u><u>\$ 1,646,133</u></u>

Statement of Operating Costs

<u>Item</u>	<u>Amount</u>
Goods at the beginning of period	32,473
Add: Purchase for the current period	1,442,736
Less: Goods at the end of period	62,827
Goods sales cost	1,412,382
Inventory devaluation and obsolescence loss	147
Others	<u>3,674</u>
Total	<u><u>\$ 1,416,203</u></u>

Taiwan Microloops Corp.
Statement of Operating Expense
For The Years Ended December 31, 2024 **Unit: NTD Thousand**

Item	Marketing expense	Administrat ive expense	R&D expense	Reversal gain on expected credit impairment loss
Salary	\$ 26,586	34,270	31,360	-
Remuneration to directors	-	6,024	-	-
Labor and health insurance	1,743	2,753	2,704	-
Pension	1,005	1,130	1,468	-
Laber service	1,109	8,459	2,998	-
Other employee benefit expenses	2,331	2,168	2,492	-
Depreciation expense	2,504	4,043	3,219	-
Amortization expense	276	1,038	10,304	-
Others (Note)	<u>5,603</u>	<u>8,292</u>	<u>9,313</u>	<u>(619)</u>
Total	<u>\$ 41,157</u>	<u>68,177</u>	<u>63,858</u>	<u>(619)</u>

Note: None of the balances exceeds 5% of the amount under this title, so they are not listed separately.