

**TAIWAN MICROLOOPS CORP.
AND SUBSIDIARIES**

**Consolidated 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 consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

Considering that the companies to be included in the consolidated financial statements of affiliates under the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included in the consolidated financial statements of the parent and subsidiaries under IFRS 10 in 2024 (from January 1, 2024 to December 31, 2024), and the related information to be disclosed in the consolidated financial statements of affiliates is already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates are prepared separately.

This statement is hereby presented

Company name: Taiwan Microloops Corp.

Chairperson: Chao Yuan-Shan

Date: March 10, 2025

Independent Auditors' Report

To the Board of Directors, Taiwan Microloops Corp.

Opinion

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

In our opinion, the said consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the International Financial Reporting Standards, International Accounting Standards, and interpretations approved and released by the Financial Supervisory Commission, and thus presented fairly, in all material aspects, the consolidated financial position of Microloops Group as of December 31, 2024 and 2023 as well as their consolidated financial performance and consolidated 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 consolidated financial statements” section in this report. We were independent of the Group 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 consolidated financial statements of the Group. These matters were addressed during the overall audit of the consolidated 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(14) of the consolidated financial statements; for the revenue, please refer to Note 6 (16) of the consolidated financial statements.

Details of key audit matters:

The Group 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 the Group 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. Inventory valuation

For the accounting policy of inventory valuation, please refer to Note 4(8) of the consolidated financial statements; for the accounting estimate and assumption uncertainty of inventory valuation, please refer to Note 5(1) of the consolidated financial statements

Details of key audit matters:

Vapor chamber modules are manufactured in a customized production mode and the risk that the cost of the prepared inventory exceeds the net realizable value due to a slowdown or cancellation of customer needs may occur as a result. Considering that the estimate of the net realizable value of inventory involves the subjective judgment of the management, this is an accounting estimate with uncertainties. Hence, we incorporate inventory valuation as a key audit matter.

Corresponding audit procedures:

Our main audit procedures for the above-mentioned key audit matters include: understanding the appropriation policy adopted by the Group for inventory valuation loss and assessing whether the inventory evaluation has been executed in accordance with established accounting policies.

This includes executing a sampling procedure to check the basis and calculation of the net realizable value of inventory, evaluating the accuracy of the inventory age, analyzing changes in inventory age at different phases, reviewing the reasonableness of the allowance for inventory loss from the past to determine whether the methods 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.

Other matters

For the parent company only financial statements prepared by the Group for 2024 and 2023, we have issued an independent auditors' report with unqualified opinions for reference.

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

The management was responsible for the preparation of the consolidated financial statements with a fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and interpretations approved and released by the Financial Supervisory Commission and maintaining the necessary internal control related to the preparation of the consolidated financial statements to ensure that the consolidated financial statements were free of material misstatement due to fraud or errors.

During preparation of the consolidated financial statements, the management was also responsible for evaluating the Group's ability 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 the Group enter into liquidation or terminate its operations, or there was no other actual or feasible solutions other than liquidation or termination of its operations.

The Group's governance unit (including the Audit Committee) was responsible for supervising the financial reporting procedures.

Auditors' responsibility for the audit of the consolidated financial statements

We audited the consolidated financial statements for the purpose of obtaining reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Group'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. Based on the obtained audit evidence, 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 the Group'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 consolidated 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 the Group would no longer have the ability to continue as a going concern.
5. We evaluated the overall presentation, structure, and contents of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements presented relevant transactions and events fairly.
6. We acquired sufficient and appropriate audit evidence with respect to the financial information of the entities comprising the Group to provide opinions regarding the consolidated financial statements. We were responsible for instruction, supervision and conduct of the Group's audit cases, as well as the expression of the audit opinions for the Group.

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 determined the key audit matters to be audited in the 2024 consolidated financial statements of the Group 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Taiwan Microloops Corp. and Subsidiaries
Consolidated 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))	\$ 527,687	19	608,828	32	2100	Short-term borrowings (Note 6(9))	\$ 19,943	-	-	-
1136	Financial assets measured at amortized cost – current (Notes 6(2) and 8)	3,359	-	10,440	1	2170	Notes and accounts payable	\$ 504,036	18	414,237	21
1170	Notes and accounts receivable, net (Note 6(3))	835,830	30	637,095	33	2200	Other payables	384,132	14	282,325	15
1200	Other receivables	33,194	1	20,349	1	2280	Lease liabilities – current (Note 6(10))	30,195	1	34,496	2
130X	Inventory (Note 6(4))	203,756	7	183,665	9	2300	Other current liabilities (Note 6(16))	61,100	2	32,860	2
1470	Other current assets	69,017	2	24,826	1			999,406	35	763,918	40
		1,672,843	59	1,485,203	77	Non-current liabilities:					
Non-current assets:						2570	Deferred income tax liabilities (Note 6(12))	76,713	3	13,255	1
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 6(5))	-	-	-	-	2580	Lease liabilities – non-current (Note 6(10))	180,658	6	4,263	-
1600	Property, plant and equipment (Note 6(6))	809,188	29	328,781	17		Total liabilities	257,371	9	17,518	1
1755	Right-of-use assets (Note 6(7))	213,798	8	35,976	2		Equity attributable to owners of the parent company: (Notes 6(13) and (14))	1,256,777	44	781,436	41
1780	Intangible assets (Note 6(8))	35,724	1	10,189	1	3110	Common stock capital	600,000	21	508,780	26
1840	Deferred income tax assets (Note 6(12))	75,787	3	21,195	1	3200	Capital reserve	701,026	25	400,588	21
1900	Other non-current assets	22,202	-	35,358	2		Retained earnings:				
		1,156,699	41	431,499	23	3310	Legal reserve	32,818	1	22,236	1
						3320	Special reserve	19,729	1	-	-
						3350	Undistributed earnings	223,505	8	223,391	12
								276,052	10	245,627	13
							Other equity:				
						3410	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	56	1,135,266	59
Total assets		\$ 2,829,542	100	1,916,702	100	Total liabilities and equity		\$ 2,829,542	100	1,916,702	100

(Please refer to the attached notes to the Consolidated Financial Statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Taiwan Microloops Corp. and Subsidiaries
Consolidated 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(16))	\$ 2,005,017	100	1,641,580	100
5000	Operating cost (Notes 6(4), (11) and 12)	1,542,214	77	1,258,096	76
	Operating gross profit	462,803	23	383,484	24
	Operating expenses (Notes 6(3), 6(11) and 12) :				
6100	Marketing expense	81,834	4	72,970	4
6200	Administrative expense	123,499	6	110,799	7
6300	R&D expense	130,491	7	91,939	6
6450	Reversal gain on expected credit impairment loss	(465)	-	(1,230)	-
		335,359	17	274,478	17
	Operating net profit	127,444	6	109,006	7
	Non-operating revenue and expense:				
7100	Interest income	9,349	1	12,577	1
7190	Other income (Note 6(18))	4,034	-	4,152	-
7020	Other gains and losses (Note 6(18))	1,589	-	12,823	1
7050	Financial cost (Note 6(10))	(1,014)	-	(4,470)	-
		13,958	1	25,082	2
	Pre-tax net profit	141,402	7	134,088	9
7950	Less: Income tax expense (Note 6(12))	35,466	1	30,665	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 comprehensive income for the current period	15,416	1	(23,896)	(2)
	Total comprehensive income for the current period	\$ 121,352	7	79,527	5
	Net income for the current period attributable to:				
	Owners of parent company	\$ 105,936	6	103,423	7
	Total comprehensive income attributable to:				
	Owners of parent company	\$ 121,352	7	79,527	5
	Basic earnings per share (Unit: NTD) (Note 6(15))	\$ 1.80		1.92	
	Diluted earnings per share (unit: NTD) (Note 6(15))	\$ 1.79		1.91	

(Please refer to the attached notes to the Consolidated Financial Statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

Unit: NTD Thousand

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

(Please refer to the attached notes to the Consolidated Financial Statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Taiwan Microloops Corp. and Subsidiaries
Consolidated Statements 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	\$ 141,402	134,088
Adjustments:		
Income and expense		
Depreciation expense	95,294	74,573
Amortization expense	17,540	3,536
Reversal gain on expected credit impairment loss	(465)	(1,230)
Interest expense	1,014	4,470
Interest income	(9,349)	(12,577)
Share-based payments	438	-
Loss (gain) from disposal and scrapping of property, plant, and equipment	745	(20,593)
Impairment loss from property, plant and equipment	-	2,739
Others	(8)	6,405
Total income and expenses	105,209	57,323
Changes in assets/liabilities related to operating activities.		
Notes and accounts receivable	(177,797)	(199,713)
Other receivables	(13,392)	1,295
Inventory	(20,091)	21,615
Other financial assets and other current assets	(42,486)	(1,358)
Total net change in assets related to operating activities	(253,766)	(178,161)
Notes and accounts payable	89,799	66,080
Other payables	50,092	100,430
Other current liabilities	(1,076)	550
Total net changes in liabilities related to operating activities	138,815	167,060
Total net changes in assets and liabilities related to operating activities	(114,951)	(11,101)
Total adjustments	(9,742)	46,222
Cash inflow from operations	131,660	180,310
Interest received	9,707	13,207
Interest paid	(1,014)	(4,591)
Income tax paid	(3,444)	(9,385)
Net cash inflow from operating activities	136,909	179,541
Cash flow from investing activities:		
Decrease (increase) in financial assets measured at amortized cost	7,081	(8,440)
Acquisition of property, plant and equipment	(510,677)	(167,151)
Proceeds from disposal of property, plant and equipment	2,645	333,455
Increase in refundable deposits	(1,184)	(968)
Acquisition of intangible assets	(19,896)	(5,252)
Decrease (increase) of other non-current assets	4,156	(11,434)
Net cash inflow (outflow) from investing activities	(517,875)	140,210
Cash flow from financing activities:		
Increase (decrease) in short-term borrowings	19,943	(30,500)
Repayment of long-term borrowings	-	(217,000)
Decrease in deposits received	-	(737)
Repayment of lease principal	(39,669)	(41,317)
Payment of cash dividends	(44,291)	(23,114)
Capital increase in cash	360,000	-
Net cash inflow (outflow) from financing activities	295,983	(312,668)
Effect of changes in exchange rate on cash and cash equivalents	3,842	(1,230)
(Decrease) increase in cash and cash equivalents for the current period	(81,141)	5,853
Balance of cash and cash equivalents at the beginning of the period	608,828	602,975
Balance of cash and cash equivalents at the end of the period	\$ 527,687	608,828

(Please refer to the attached notes to the Consolidated Financial Statements)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated 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. After the capital increases and decreases, the main business activities of the Company and subsidiaries (hereinafter referred to as the “consolidated 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 consolidated 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 consolidated company began to apply the following newly amended IFRSs on January 1, 2024, and there was no significant impact on the consolidated 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 consolidated company, the application of the following newly amended IFRSs effective from January 1, 2025 will not cause significant impact on the consolidated 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 consolidated company are as follows:

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated 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 consolidated company is continually evaluating the impact of these standards and interpretations on the financial position and operating results of the consolidated company, and will disclose the impact when the evaluation is complete.

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

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

- 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
- 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 consolidated financial statements are summarized below. The accounting policies below have been applied consistently throughout the reporting periods presented in the consolidated financial statements.

(1) Statement of compliance

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

(2) Basis of preparation

a. Measurement basis

The consolidated financial statements were 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

Each entity of the consolidated company takes the currency used in the main economic environment at the operation location as the functional currency. The consolidated 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) Basis of consolidation

a. Principles for preparation of consolidated financial statements

The principal part of the consolidated financial statements includes the Company and the entities controlled by the Company (i.e. subsidiaries). When the Company is exposed to the variable remuneration arising from the participation of an invested entity or is entitled to such variable remuneration, and has the ability to affect this remuneration through its power over such invested entity, the Company controls the entity.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The financial statements of the subsidiaries are included in the consolidated financial statements from the date of acquisition of control over these subsidiaries until the date of loss of control. Transaction between the consolidated companies, balances and unrealized gains and expenses were eliminated when preparing the consolidated financial statements. The total comprehensive income of the subsidiaries is attributed to the owners of the Company and the non-controlling interests, even if the non-controlling interests becomes a deficit balance as a result.

The financial statements of the subsidiaries have been appropriately adjusted to make their accounting policies consistent with those used by the consolidated company.

Changes in the consolidated company's ownership interests in subsidiaries that do not result in a loss of control over the subsidiaries are treated as equity transactions with owners. The difference between the adjusted amount of the non-controlling equity and the fair value of any paid or received consideration is directly recognized in equity and attributable to the owner of the Company.

b. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements are as follows:

Investor	Subsidiary	Nature of business	Percentage of shareholding	
			12.31.2024	12.31.2023
The Company	Microloops Technology (SAMOA) Corp. (hereinafter referred to as Microloops (SAMOA))	Holding company	100.00%	100.00%
Microloops (SAMOA)	Microloops Huizhou Corp. (hereinafter referred to as Huizhou)	Manufacture and sale of thermal modules	100.00%	100.00%

(4) 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. and Subsidiaries
Notes to Consolidated 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.

(5) 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. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(6) Cash and cash equivalents

Cash and cash equivalents include 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.

(7) Financial instruments

Accounts receivable are initially recognized at the time of incurrence. All other financial assets and financial liabilities are initially recognized when the consolidated 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 consolidated 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 classified as financial assets measured at amortized cost, financial assets measured at fair value through profit or loss, and financial assets measured at fair value through other comprehensive income. The consolidated 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

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

profit and loss, and impairment loss are recognized in profit or loss. Upon derecognition, the profit or loss is recognized in profit or loss.

(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 consolidated company is entitled to receive the dividend (usually on the ex-dividend date).

(c) Impairment of financial assets

The consolidated company's financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes receivable and accounts receivable, other receivables, refundable deposits and other financial assets, etc.) 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.

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 consolidated company is exposed to credit risk.

In determining whether the credit risk has increased significantly since the initial recognition, the consolidated company shall consider reasonable and supporting information (which can be obtained without excessive cost or investment), including

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

qualitative and quantitative information, and the analysis made based on the historical experiences of the consolidated company, credit assessment and forward-looking information.

The expected credit loss is the probability-weighted estimate of the credit loss during 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 consolidated company can collect in accordance with the contract and the cash flow that the consolidated 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 consolidated 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 consolidated company analyzes the timing and amount of write-off separately on the basis of whether the recovery is reasonably expected. The consolidated 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 consolidated company to recover the overdue amount.

(d) Derecognition of financial assets

The consolidated company derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire, when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets 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 assets.

For transfer of financial assets, if the consolidated 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

Debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity as per the substance of a contractual agreement and the definition of financial liabilities and equity instruments.

(b) Equity transactions

Equity instrument demonstrates any contract that represents the consolidated company's remaining equity after deducting all liabilities from the assets. Equity

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

instruments issued by the consolidated company are recognized based on the acquired proceeds net of the direct cost of issuance.

(c) Financial liabilities

Financial liabilities are classified and measured at amortized cost. Interest expense 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 consolidated 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 against each other and have the net amount expressed in the balance sheet only when the consolidated company has a legally enforceable right to offset against each other and has an intention to settle at net amount, or assets are realized and liabilities are repaid at the same time.

(8) 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.

(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,

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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 consolidated 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) Machinery and equipment | 5–10 years |
| (c) Lease improvement | 3–10 years |
| (d) Office and other equipment | 3–5 years |

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

(10) Leasing

The consolidated 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 consolidated 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 added to 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 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 consolidated company regularly assesses whether the right-of-use assets are impaired, settles any impairment losses that have occurred, and

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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 consolidated company's incremental borrowing rate is used. Generally, the consolidated 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 loss.

The consolidated 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 consolidated company chooses not to recognize right-of-use assets and lease liabilities but instead

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

recognizes relevant lease payments as expenses on a straight-line basis during the lease period.

b. Lessor

For transactions in which the consolidated 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 consolidated company considers relevant specific indicators including whether the lease period covers the main part of the economic life of the underlying assets.

If the consolidated 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 consolidated 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 consolidated company, and the consolidated 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.

The intangible assets with limited service life acquired by the consolidated company are measured at 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. and Subsidiaries
Notes to Consolidated 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 consolidated company reviews the amortization method, service lives, and residual value of intangible assets on each reporting date and makes appropriate adjustments if necessary.

(12) Impairment of non-financial assets

The consolidated 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) Provision for liabilities

Provision for liabilities shall be recognized when the consolidated company has a present obligation as a result of an event in the past, and it is likely that the consolidated company requires an outflow of economic benefits to fulfill the obligation in the future, and the amount of the obligation can be estimated reliably. The provision for liabilities is discounted at the

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

pre-tax discount rate that reflects the assessment of the time value of money and specific risk of liabilities on the current market; the amortization of the discount is recognized as interest expense.

a. Recovery of factory site

According to the environmental policies announced by the consolidated company and applicable laws and regulations, the consolidated company sets aside a provision for liabilities for restoration of the polluted land and recognizes related expenses during the pollution period of the land.

(14) Recognition of revenue

a. Revenue from customer contracts

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

(a) Sales of goods

The consolidated 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 consolidated 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 consolidated 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 consolidated company reevaluates the estimation of expected returns on each reporting date.

(b) Financial components

The consolidated 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 consolidated company does not adjust the time value of money of the transaction price.

(15) 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

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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 consolidated 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.

(16) 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.

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 consolidated company is the date when the Board of Directors approves the subscription price and the employees are allowed to subscribe for the shares.

(17) 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

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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 consolidated company can control the time point of the temporary difference reversal and the reversal will very likely not occur in the foreseeable future; and
- c. The taxable temporary difference arising from the initial recognition of goodwill.

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 consolidated 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.

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.

(18) Earnings per share

The consolidated company shows basic and diluted earnings per share attributable to the Company's common stock shareholders. The consolidated 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

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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 consolidated company includes the estimated remuneration to employees.

(19) Information on operating segments

The operating segments are the parts that form the consolidated company and engage in the business activities that may earn income and incur expenses (including income and expenses related to transactions between other parts of the consolidated company). All operating departments' operating performance is regularly reviewed by the consolidated company's chief operating decision-maker to make decisions on allocating resources to the segments and evaluate their performance. Each operating segment has its own financial information.

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

The preparation of these consolidated financial statements requires the management to make judgments and assessments 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 consolidated company's risk management and climate-related commitments; 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

As 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 consolidated 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 consolidated company's accounting policies and disclosures include the use of fair value to measure its non-financial assets and liabilities. The consolidated company has established relevant internal control systems to measure fair value, and regularly reviewed all significant unobservable input values and adjustments. If the input value used to measure the fair value is based

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

on external third-party information (such as brokers or pricing service institutions), the evidence supporting the input value provided by the third party will be evaluated to ensure that the valuation and the fair value classification are in compliance with the requirements of IFRS.

When the consolidated company measures the fair value of 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:

- (1) Level 1: The open quotation (unadjusted) of the same assets or liabilities in an active market
- (2) 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).
- (3) 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 consolidated 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(19).

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	\$ 246	282
Check and demand deposit	218,428	245,742
Time deposit	<u>309,013</u>	<u>362,804</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 527,687</u></u>	<u><u>608,828</u></u>

Please refer to Note 6(19) for the disclosure of the interest rate risk and sensitivity analysis of the consolidated company's financial assets and liabilities.

(2) Financial assets measured at amortized cost

	<u>12.31.2024</u>	<u>12.31.2023</u>
Certificates of deposit	<u><u>\$ 3,359</u></u>	<u><u>10,440</u></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.

- a. For credit risk and market risk information, please refer to Note 6(19).
- b. For the financial assets referred to above as collateral, please refer to Note 8.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(3) Notes and accounts receivable, net

	<u>12.31.2024</u>	<u>12.31.2023</u>
Notes receivable	\$ 13,593	9,207
Accounts receivable	822,458	628,756
Less: Allowance for loss	<u>(221)</u>	<u>(868)</u>
	<u>\$ 835,830</u>	<u>637,095</u>

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

	<u>12.31.2024</u>		
	<u>Book value of notes and accounts receivable</u>	<u>Weighted- average rate of expected credit loss</u>	<u>Allowance for expected credit losses over the duration</u>
Not past due	\$ 824,120	0~1%	-
Overdue less than 30 days	11,143	1%	112
Overdue for 31 to 60 days	631	10%	63
Overdue for 61 to 90 days	148	25%	37
overdue for more than 180 days	<u>9</u>	100%	<u>9</u>
	<u>\$ 836,051</u>		<u>221</u>

	<u>12.31.2023</u>		
	<u>Book value of notes and accounts receivable</u>	<u>Weighted- average rate of expected credit loss</u>	<u>Allowance for expected credit losses over the duration</u>
Not past due	\$ 614,650	0~1%	522
Overdue less than 30 days	22,056	1%	220
Overdue for 31 to 60 days	<u>1,257</u>	10%	<u>126</u>
	<u>\$ 637,963</u>		<u>868</u>

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The movements in allowances for losses on the consolidated company's notes and accounts receivable are as follows:

	<u>2024</u>	<u>2023</u>
Balance at the beginning of period	\$ 868	2,100
Reversal gain on impairment loss	(654)	(1,250)
Effect of changes in exchange rate	7	18
Balance at the end of period	<u><u>\$ 221</u></u>	<u><u>868</u></u>

(4) Inventory

	<u>12.31.2024</u>	<u>12.31.2023</u>
Raw material	\$ 28,767	34,707
work-in-progress	90,173	61,286
Finished goods	84,816	87,672
	<u><u>\$ 203,756</u></u>	<u><u>183,665</u></u>

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

	<u>2024</u>	<u>2023</u>
Sales cost	\$ 1,477,153	1,217,699
Inventory obsolescence, devaluation and scrapping loss	66,445	67,618
Income from scraps	(3,656)	(1,878)
Others	2,272	(25,343)
Total	<u><u>\$ 1,542,214</u></u>	<u><u>1,258,096</u></u>

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

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

	<u>12.31.2024</u>	<u>12.31.2023</u>
Investment in foreign equity	<u><u>\$ -</u></u>	<u><u>-</u></u>

- a. The investment in equity instruments held by the consolidated company is a long-term strategic investment and is not held for trading purposes, so it has been designated to be measured at fair value through other comprehensive income and fully recognized as losses for 2023.
- b. For credit risk and market risk information, please refer to Note 6(19).
- c. No financial assets referred to above were pledged as collateral.

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Notes to Consolidated Financial Statements (continued)

(6) Property, plant and equipment

The changes in the cost, depreciation and impairment loss of the consolidated company's property, plant and equipment in 2024 and 2023 are as follows:

	Land	Buildings	Machinery and equipment	Lease improvement	Other equipment	Unfinished construction and equipment pending acceptance	Total
Cost or deemed cost:							
Balance as of January 1, 2024	\$ -	-	260,189	76,296	56,293	62,719	455,497
Addition	222,557	115,962	55,958	9,948	38,403	95,578	538,406
Disposal	-	-	(4,982)	(2,825)	(7,006)	(2,643)	(17,456)
Reclassification	-	-	49,973	1,464	5,594	(61,237)	(4,206)
Transfer in	-	-	-	-	469	-	469
Effect of changes in exchange rate	-	-	8,965	2,510	1,330	2,107	14,912
Balance as of December 31, 2024	<u>\$ 222,557</u>	<u>115,962</u>	<u>370,103</u>	<u>87,393</u>	<u>95,083</u>	<u>96,524</u>	<u>987,622</u>
Balance as of January 1, 2023	\$ 291,899	22,430	191,140	71,676	51,398	4,715	633,258
Addition	-	-	77,398	12,402	14,621	62,730	167,151
Disposal	(291,899)	(22,430)	(5,249)	(100)	(9,202)	-	(328,880)
Reclassification	-	-	278	(6,458)	54	(387)	(6,513)
Effect of changes in exchange rate	-	-	(3,378)	(1,224)	(578)	(4,339)	(9,519)
Balance as of December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>260,189</u>	<u>76,296</u>	<u>56,293</u>	<u>62,719</u>	<u>455,497</u>
Depreciation:							
Balance as of January 1, 2024	\$ -	-	74,928	19,420	32,368	-	126,716
Depreciation for the current year	-	1,610	26,576	19,532	14,680	-	62,398
Disposal	-	-	(4,313)	(2,824)	(6,929)	-	(14,066)
Effect of changes in exchange rate	-	-	2,299	419	668	-	3,386
Balance as of December 31, 2024	<u>\$ -</u>	<u>1,610</u>	<u>99,490</u>	<u>36,547</u>	<u>40,787</u>	<u>-</u>	<u>178,434</u>
Balance as of January 1, 2023	\$ -	1,510	63,243	4,864	29,589	-	99,206
Depreciation for the current year	-	431	15,389	14,784	12,231	-	42,835
Disposal	-	(1,941)	(5,001)	(1)	(9,075)	-	(16,018)
Impairment loss	-	-	2,579	-	160	-	2,739
Effect of changes in exchange rate	-	-	(1,282)	(227)	(537)	-	(2,046)
Balance as of December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>74,928</u>	<u>19,420</u>	<u>32,368</u>	<u>-</u>	<u>126,716</u>
Book value:							
December 31, 2024	<u>\$ 222,557</u>	<u>114,352</u>	<u>270,613</u>	<u>50,846</u>	<u>54,296</u>	<u>96,524</u>	<u>809,188</u>
December 31, 2023	<u>\$ -</u>	<u>-</u>	<u>185,261</u>	<u>56,876</u>	<u>23,925</u>	<u>62,719</u>	<u>328,781</u>

As of December 31, 2024 and 2023, the consolidated company's property, plant and equipment were not pledged as collateral.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(7) Right-of-use assets

The changes in the cost and depreciation of the right-of-use assets recognized by the consolidated company for leasing buildings, transportation equipment, and other equipment are as follows:

	<u>Buildings</u>	<u>Transportat ion equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost of right-of-use assets:				
Balance as of January 1, 2024	\$ 99,810	3,548	237	103,595
Addition	211,731	383	-	212,114
Reduction	(121)	(330)	-	(451)
Effect of changes in exchange rate	294	-	-	294
Balance as of December 31, 2024	<u><u>\$ 311,714</u></u>	<u><u>3,601</u></u>	<u><u>237</u></u>	<u><u>315,552</u></u>
Balance as of January 1, 2023	\$ 86,974	1,772	237	88,983
Addition	14,158	2,526	-	16,684
Reduction	-	(750)	-	(750)
Effect of changes in exchange rate	(1,322)	-	-	(1,322)
Balance as of December 31, 2023	<u><u>\$ 99,810</u></u>	<u><u>3,548</u></u>	<u><u>237</u></u>	<u><u>103,595</u></u>
Accumulated depreciation and impairment loss				
of right-of-use assets:				
Balance as of January 1, 2024	\$ 66,130	1,252	237	67,619
Provision for depreciation	31,848	1,048	-	32,896
Reduction	-	(330)	-	(330)
Effect of changes in exchange rate	1,569	-	-	1,569
Balance as of December 31, 2024	<u><u>\$ 99,547</u></u>	<u><u>1,970</u></u>	<u><u>237</u></u>	<u><u>101,754</u></u>
Balance as of January 1, 2023	\$ 36,223	991	211	37,425
Provision for depreciation	30,701	1,011	26	31,738
Reduction	-	(750)	-	(750)
Effect of changes in exchange rate	(794)	-	-	(794)
Balance as of December 31, 2023	<u><u>\$ 66,130</u></u>	<u><u>1,252</u></u>	<u><u>237</u></u>	<u><u>67,619</u></u>
Book value:				
December 31, 2024	<u><u>\$ 212,167</u></u>	<u><u>1,631</u></u>	<u><u>-</u></u>	<u><u>213,798</u></u>
December 31, 2023	<u><u>\$ 33,680</u></u>	<u><u>2,296</u></u>	<u><u>-</u></u>	<u><u>35,976</u></u>

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(8) Intangible assets

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

	<u>Patents</u>	<u>Computer software</u>	<u>Total</u>
Cost or deemed cost:			
Balance as of January 1, 2024	\$ -	17,247	17,247
Addition	-	28,954	28,954
Transfer in	-	13,882	13,882
Derecognized	-	(1,374)	(1,374)
Effect of changes in exchange rate	-	323	323
Balance as of December 31, 2024	<u><u>\$ -</u></u>	<u><u>59,032</u></u>	<u><u>59,032</u></u>
Balance as of January 1, 2023	\$ 3,116	19,055	22,171
Addition	-	5,252	5,252
Derecognized	(3,116)	(7,066)	(10,182)
Reclassification	-	108	108
Effect of changes in exchange rate	-	(102)	(102)
Balance as of December 31, 2023	<u><u>\$ -</u></u>	<u><u>17,247</u></u>	<u><u>17,247</u></u>
Depreciation:			
Balance as of January 1, 2024	\$ -	7,058	7,058
Current amortization	-	17,540	17,540
Derecognized	-	(1,374)	(1,374)
Effect of changes in exchange rate	-	84	84
Balance as of December 31, 2024	<u><u>\$ -</u></u>	<u><u>23,308</u></u>	<u><u>23,308</u></u>
Balance as of January 1, 2023	\$ 3,116	10,643	13,759
Current amortization	-	3,536	3,536
Derecognized	(3,116)	(7,066)	(10,182)
Effect of changes in exchange rate	-	(55)	(55)
Balance as of December 31, 2023	<u><u>\$ -</u></u>	<u><u>7,058</u></u>	<u><u>7,058</u></u>
Book value:			
December 31, 2024	<u><u>\$ -</u></u>	<u><u>35,724</u></u>	<u><u>35,724</u></u>
December 31, 2023	<u><u>\$ -</u></u>	<u><u>10,189</u></u>	<u><u>10,189</u></u>

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(9) Short-term borrowings

	12.31.2024	12.31.2023
Secured borrowings	\$ 13,435	-
Unsecured borrowings	6,508	-
Total	\$ 19,943	-
Interest rate range	3.1%-3.6%	

Please refer to Note 8 for the consolidated company's assets pledged as collateral as of December 31, 2024.

(10) Lease liabilities

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

	12.31.2024	12.31.2023
Current	\$ 30,195	34,496
Non-current	\$ 180,658	4,263

For maturity analysis, please refer to Note 6(19) Financial instruments.

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

	2024	2023
Interest expense on lease liabilities	\$ 908	2,375
Expense on short-term lease	\$ 3,155	3,259
Expense on low-value lease assets	\$ 433	342

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

	2024	2023
Total cash outflow from lease	\$ 43,257	44,918

(11) 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, which have been contributed to the Bureau of Labor Insurance.

Microloops Technology (Samoa) Co., Ltd. does not have defined employee pension contribution regulations. In addition, Microloops Huizhou Corp. contributes a fixed percentage of the employee's total monthly wage as pension reserve under the pension insurance system

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

of the People's Republic of China, The pension of each employee is managed and arranged by the government. In addition to the monthly contribution, the Company has no other obligations. The pension cost recognized by Microloops Huizhou Corp. for 2024 and 2023 according to the aforementioned pension regulations was NTD 10,956 thousand and NTD 13,687 thousand, respectively.

(12) Income tax

a. Income tax expense

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

	<u>2024</u>	<u>2023</u>
Income tax expense for the current period	\$ 26,333	13,998
Deferred income tax expense	<u>9,133</u>	<u>16,667</u>
Income tax expense	<u><u>\$ 35,466</u></u>	<u><u>30,665</u></u>

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

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

	<u>2024</u>	<u>2023</u>
Pre-tax net profit	<u><u>\$ 141,402</u></u>	<u><u>134,088</u></u>
Income tax calculated based on the domestic tax rate where the Company is located	\$ 28,281	26,818
Impact of tax rate differences in foreign jurisdiction	461	212
Others	<u>6,724</u>	<u>3,635</u>
Income tax expense	<u><u>\$ 35,466</u></u>	<u><u>30,665</u></u>

d. Deferred income tax assets and liabilities

(a) Unrecognized deferred income tax assets

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

	<u>12.31.2024</u>	<u>12.31.2023</u>
Deductible temporary difference	<u><u>\$ 48,357</u></u>	<u><u>51,446</u></u>

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(b) Recognized deferred income tax assets and liabilities

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

	<u>Tax loss</u>	<u>Lease liabilities</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2024	\$ (347)	-	(20,848)	(21,195)
Debit /(credit) income statement	347	(51,572)	(2,935)	(54,160)
Exchange differences from translation of foreign operations' financial statements	-	-	(432)	(432)
Balance as of December 31, 2024	<u>\$ -</u>	<u>(51,572)</u>	<u>(24,215)</u>	<u>(75,787)</u>
Balance as of January 1, 2023	\$ (21,146)	-	(27,318)	(48,464)
Debit /(credit) income statement	20,799	-	6,554	27,353
Exchange differences from translation of foreign operations' financial statements	-	-	(84)	(84)
Balance as of December 31, 2023	<u>\$ (347)</u>	<u>-</u>	<u>(20,848)</u>	<u>(21,195)</u>

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

	<u>Right-of-use assets</u>	<u>Others</u>	<u>Total</u>
Balance as of January 1, 2024	\$ -	13,255	13,255
Debit /(credit) income statement	52,329	10,964	63,293
Foreign currency translation adjustment	-	165	165
Balance as of December 31, 2024	<u>\$ 52,329</u>	<u>24,384</u>	<u>76,713</u>
Balance as of January 1, 2023	\$ -	23,698	23,698
Debit /(credit) income statement	-	(10,686)	(10,686)
Foreign currency translation adjustment	-	243	243
Balance as of December 31, 2023	<u>\$ -</u>	<u>13,255</u>	<u>13,255</u>

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Notes to Consolidated Financial Statements (continued)

e. Status of income tax assessment

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

(13) 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	
	2024	2023
Balance at the beginning of period	50,878	43,448
Capital increase from earnings	3,122	7,430
Capital increase in cash	6,000	-
Balance at the end of period	60,000	50,878

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.

b. Capital reserve

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

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.

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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 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

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

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	31,220	1.71	74,297
		<u>\$ 75,511</u>		<u>82,552</u>

(14) 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.
- 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:

	2024
	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%

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Notes to Consolidated Financial Statements (continued)

(15) Earnings per share

a. Basic earnings per share

The basic earnings per share of the consolidated 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>

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Notes to Consolidated Financial Statements (continued)

(16) Revenue from customer contracts

a. Details of revenue

	<u>2024</u>	<u>2023</u>
Major regional markets		
China	\$ 955,575	1,047,293
Taiwan	1,016,444	566,849
Other countries	32,998	27,438
Total	<u><u>\$ 2,005,017</u></u>	<u><u>1,641,580</u></u>
Major products:		
Thermal module	\$ 2,004,553	1,641,066
Others	464	514
Total	<u><u>\$ 2,005,017</u></u>	<u><u>1,641,580</u></u>

b. Contract balance

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

	<u>12.31.2024</u>	<u>12.31.2023</u>	<u>1.1.2023</u>
Contract liabilities	<u><u>\$ 3,707</u></u>	<u><u>2,998</u></u>	<u><u>1,304</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 2,998 thousand and NTD 1,304 thousand, respectively.

(17) 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

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Notes to Consolidated Financial Statements (continued)

of directors' remuneration were NTD 4,074 thousand and NTD 4,002 thousand, respectively, 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 of the remuneration to employees and directors, respectively, 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 consolidated financial statements of the Company.

(18) Non-operating revenue and expense

1. Other revenue

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

	2024	2023
Rent income	\$ 35	788
Others	3,999	3,364
	<u>\$ 4,034</u>	<u>4,152</u>

2. Other gains and losses

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

	2024	2023
Gain (loss) on disposal of property, plant and equipment	\$ (745)	20,593
Gain from foreign currency exchange	50,374	6,647
Gain from financial assets measured at fair value through profit or loss	-	81
Others	(48,040)	(14,498)
	<u>\$ 1,589</u>	<u>12,823</u>

(19) Financial instruments

a. Credit risk

(a) The amount of maximum exposure to credit risk

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

(b) Concentration of credit risk

The consolidated 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

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

consolidated company's total accounts receivable from the top five customers was 76% and 71%, respectively.

b. Liquidity risk

The liquidity risk exists when the consolidated company is unable to deliver cash or other financial assets to settle financial liabilities and perform related obligations. The consolidated company manages and maintains sufficient cash and cash equivalents to support operations and mitigate the 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 to the consolidated 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						
Non-derivative financial liabilities						
Short-term borrowings	\$ 19,943	19,957	19,957	-	-	-
Notes and accounts payable	504,036	504,036	504,036	-	-	-
Lease liabilities	210,853	265,307	44,408	80,483	106,891	33,525
Other payables	384,132	384,132	384,132	-	-	-
	<u>\$ 1,118,964</u>	<u>1,173,432</u>	<u>952,533</u>	<u>80,483</u>	<u>106,891</u>	<u>33,525</u>
December 31, 2023						
Non-derivative financial liabilities						
Notes and accounts payable	\$ 414,237	414,237	414,237	-	-	-
Lease liabilities	38,759	42,996	38,682	3,830	484	-
Other financial liabilities	149,174	149,174	149,174	-	-	-
	<u>\$ 602,170</u>	<u>606,407</u>	<u>602,093</u>	<u>3,830</u>	<u>484</u>	<u>-</u>

The consolidated 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. Exchange rate risk

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

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(a) Exposure to exchange rate risk

The consolidated company's financial assets and liabilities exposed to significant exchange rate risk are as follows:

	12.31.2024				12.31.2023		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD
<u>Financial assets</u>							
<u>Monetary item</u>							
USD	\$	26,434	32.785	866,639	22,159	30.705	680,392
<u>Financial liabilities</u>							
<u>Monetary item</u>							
USD		646	32.785	21,179	556	30.705	17,072

(b) Sensitivity analysis

The exchange rate risk of the consolidated company's monetary items mainly comes from the cash and cash equivalents, financial assets measured at amortized cost, accounts receivable and other receivables, 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 on December 31, 2024 and 2023, and all other factors remained unchanged, the net income before tax for the years 2024 and 2023 would increase or decrease by NTD 8,455 thousand and NTD 6,633 thousand, respectively. Both are analyzed on the same basis.

(c) Exchange gain or loss of monetary items

The amount of the functional currency converted from the exchange gain and loss (including realized and unrealized) of the consolidated company's monetary items, and the information on the exchange rate at which the exchange gain or loss is converted into the functional currency of the parent company are as follows:

	2024		2023	
	Exchange gain	Average exchange rate	Exchange gain	Average exchange rate
NTD	\$ 50,374	1.000	6,647	1.000

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

d. Interest rate risk

The interest rate of the consolidated 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
Financial liabilities	(19,943)	-
	\$ 289,070	373,560
Variable interest rate instruments:		
Financial assets	\$ 221,577	245,426

The consolidated 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 consolidated company's pre-tax net profit from January 1 to December 31, 2024 and 2023 would increase or decrease by NTD 554 thousand and NTD 614 thousand, respectively, primarily as a result of the interest rate risk exposure of variable-rate bank deposits.

In addition, the consolidated company's financial assets and liabilities 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.

e. Information on fair value

(a) Types and fair values of financial instruments

Financial assets and liabilities measured at fair value through profit or loss, financial assets and liabilities for hedging, and financial assets measured at fair value through other comprehensive income of the consolidated company are measured at fair value on a repetitive basis. 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 listed as follows:

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

		12.31.2024				
		Book value	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at						
amortized cost						
Cash and cash equivalents	\$	527,687				
Financial assets measured at		3,359				
amortized cost						
Notes and accounts receivable		835,830				
Other receivables		33,194				
Refundable deposits		<u>12,686</u>				
Subtotal		<u><u>\$ 1,412,756</u></u>				
Financial liabilities measured at						
amortized cost						
Short-term borrowings	\$	19,943				
Notes and accounts payable		504,036				
Other payables		384,132				
Lease liabilities		<u>210,853</u>				
Subtotal		<u><u>\$ 1,118,964</u></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	\$	608,828				
Financial assets measured at		10,440				
amortized cost						
Notes and accounts receivable		637,095				
Other receivables		20,349				
Refundable deposits		<u>11,502</u>				
Subtotal		<u><u>\$ 1,288,214</u></u>				
Financial liabilities measured at						
amortized cost						
Notes and accounts payable	\$	414,237				
Other payables		282,325				
Lease liabilities		<u>38,759</u>				
Subtotal		<u><u>\$ 735,321</u></u>				

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(b) Valuation technique for the fair value of the financial instruments measured at fair value

A. Non-derivative financial instruments

If there is an open quotation on the active market for a financial instrument, the quoted price on the active market is used as the fair value. The market price announced by a major exchange house and by TPEx for central government bonds that are determined to be popular is the basis for the fair value of the TWSE/TPEx listed equity instruments and the liability instruments that have an open quotation on the active market.

A financial instrument has active market quotations if public quotations are available from exchanges, brokers, underwriters, industry associations, pricing service agencies, or competent authorities in a timely and regular manner and the prices represent actual and regular arm's-length market transactions. If the above criteria are not met, the market is not considered active. In principle, a very wide bid-ask spread, a significant increase in the bid-ask spread, or low trading volume are all indicators of an inactive market.

The financial instruments held by the consolidated company are classified as follows:

- Financial instruments that have an active market: Including the financial assets (such as listed stocks) that are traded in an active market. Their fair values are determined by reference to quoted market prices.
- Financial instruments that do not have an active market: The fair value is obtained through valuation technique or by referring to the quotation of the counterparty. The fair value obtained through the valuation technique can be calculated with reference to the present fair value of other financial instruments with similar substantive conditions and characteristics, the discounted cash flow method, or other valuation techniques, including the market information application model available on the balance sheet date.

(c) Details of changes in Level 3

	Measured at fair value through other comprehensive income
January 1, 2023	\$ 14,983
Recognized in other comprehensive income	(14,983)
December 31, 2023	<u>\$ -</u>

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

The above total profit or loss is reported under the “unrealized valuation loss from the financial assets measured at fair value through other comprehensive income.”

(20) Financial risk management

a. Overview

The consolidated 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 for risk measurement and management conducted by the consolidated company, are further quantified and disclosed in Note 6(19).

b. Risk management framework

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

The consolidated 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 consolidated 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.

(21) Capital management

The capital management policy of the consolidated company is primarily intended to ensure the availability of necessary financial resources for working capital, capital expenditures, and debt repayment over the next twelve months. Therefore, the consolidated company uses the debt ratio as the basis for capital management. The debt ratios on December 31, 2024 and 2023, were 44% and 41%, respectively. As of December 31, 2024, the capital management method of the consolidated company has not changed.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(22) 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:

	1.1.2024	Cash flow	Other changes	Changes in exchange rate	12.31.2024
Short-term borrowings	\$ -	19,943	-	-	19,943
Lease liabilities	<u>38,759</u>	<u>(39,669)</u>	<u>212,854</u>	<u>(1,091)</u>	<u>210,853</u>
Total liabilities from financing activities	<u>\$ 38,759</u>	<u>(19,726)</u>	<u>212,854</u>	<u>(1,091)</u>	<u>230,796</u>

	1.1.2023	Cash flow	Other changes	Changes in exchange rate	12.31.2023
Long-term borrowings (including long-term borrowings due within one year)	\$ 217,000	(217,000)	-	-	-
Short-term borrowings	30,500	(30,500)	-	-	-
Lease liabilities	<u>61,206</u>	<u>(41,317)</u>	<u>19,253</u>	<u>(383)</u>	<u>38,759</u>
Total liabilities from financing activities	<u>\$ 308,706</u>	<u>(288,817)</u>	<u>19,253</u>	<u>(383)</u>	<u>38,759</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 consolidated company during the period covered by the consolidated financial statements are as follows:

Related party	Relationship with the consolidated company
Chao Yuan-Shan	The Chairperson of the Company
Key managerial personnel	Key management

(3) Significant transactions with related parties

a. Guarantee

The long-term and short-term borrowing lines obtained by the consolidated 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.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(4) Transactions with key managerial personnel

Remuneration to key managerial personnel:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 30,435	27,397
Post-employment benefits	362	362
	<u><u>\$ 30,797</u></u>	<u><u>27,759</u></u>

8. Assets Pledged

The book value of the assets pledged by the consolidated company as collateral is as follows:

<u>Asset</u>	<u>Subject asset pledged as collateral</u>	<u>12.31.2024</u>	<u>12.31.2023</u>
Financial assets measured at amortized cost	Collateral for bank loans	<u><u>\$ 3,359</u></u>	<u><u>-</u></u>

9. Significant contingent liabilities and unrecognized contract commitments

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

	<u>12.31.2024</u>	<u>12.31.2023</u>
Acquisition of property, plant and equipment	<u><u>\$ 82,570</u></u>	<u><u>23,596</u></u>
Acquisition of software equipment	<u><u>\$ 2,347</u></u>	<u><u>17,990</u></u>
Acquisition of labor contracts	<u><u>\$ 1,737</u></u>	<u><u>851</u></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.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

10. Major Disaster Loss: None

11. Material Events after the Balance Sheet Date: None

12. Others

(1) 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	85,974	145,971	231,945	72,663	125,025	197,688
Labor and health insurance expense	614	8,538	9,152	4,343	7,926	12,269
Pension expense	6,368	8,191	14,559	9,070	7,921	16,991
Remuneration to directors	-	6,024	6,024	-	5,727	5,727
Other employment costs	22,587	11,297	33,884	28,739	9,105	37,844
Depreciation expense	62,025	33,269	95,294	43,476	31,097	74,573
Amortization expense	2,973	14,567	17,540	10	3,526	3,536

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 consolidated 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):

Holder	Securities Type and name	Relationship with the securities issuer	Title	End of period				Highest interim shareholdin g ratio	Remarks
				Shares	Book value	Shareholding %	Fair value		
Huizhou	Shaanxi Zhonghui Zhijie Technology Limited.	None	Financial assets measured at fair value through other comprehensive income – non-current	-	-	17 %	-	17.00%	Note:

Note: Fully recognized as losses for 2023.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated 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:

Property acquiring company	Asset	Date of 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	-

- f. 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 receivable (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)%	Note:
Huizhou	The Company	Parent company	(Sale)	(1,442,091)	(80.09)%	"	"	"	454,462	79.51%	"

Note: The transactions on the left were written off when the consolidated financial statements were prepared.

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

Unit: NTD Thousand

Company recognizing the receivables	Counterparty	Relation	Balance of receivables from related parties	Turnover	Overdue receivables from related parties		Subsequent recovered amount of accounts receivable from related parties	Allowance set aside for bad debt
					Amount	Handling		
Huizhou	The Company	Parent company	454,462	3.81	-	-	151,283	-

Note: The transactions on the left were written off when the consolidated financial statements were prepared.

- i. Engagement in derivative transactions: None.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

j. Business relationships and significant transactions between the parent company and subsidiaries:

As for business relationships and significant transactions between the parent company and subsidiaries, only the information on an amount of more than NTD 10,000 thousand will be disclosed and the rest will not be repeated.

Unit: NTD Thousand

No.	Trader	Counterparty	Relation ship with trader	Transaction			
				Title	Amount	Trading conditions	Percentage to consolidated total revenue or total assets
0	The Company	Huizhou	1	Accounts payable	454,462	O/A 90 days	16%
0	"	"	1	Purchase	1,442,091	O/A 90 days	72%

Note 1: The business transactions between the parent company and its subsidiaries shall be indicated in the "No." column. This column shall be completed as follows:

- (1) 0 is for the parent company.
- (2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: The relationship with the trader is classified into three categories as follows. It is only necessary to mark the type. (There is no need to disclose the information repeatedly for the same transaction between the parent company and subsidiaries or between subsidiaries.) Ex.: Regarding the transactions from the parent company to its subsidiaries, if information is disclosed with respect to the parent company, there is no need to repeatedly disclose the information for the subsidiaries. Similarly, for transactions between subsidiaries, if information is disclosed with respect to one subsidiary, there is no need to repeatedly disclose the information for the other subsidiary.

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: There are no other similar transactions to compare. Payment terms are determined on a case-by-case basis.

(2) Information on investees

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

Unit: NTD Thousand

Investor	Investee	Territory	Main business operations	Initial investment amount		Holding at the end of period			Highest interim shareholding ratio	Gain (loss) from investee company in current period	Profit (loss) from investments recognized in current period	Remarks
				End of current period	End of last year	Number of shares (thousand)	Ratio	Book value				
The Company	Microloops (SAMOA)	Samoa	Investment business	644,149	644,149	20,621	100.00%	476,532	100.00%	26,696	27,637	Note1
The Company	Microloops Vietnam Corp. Company Limited	Vietnam	Operation business	-	-	-	-	-	-	-	-	Note2

Note1: The equity transactions on the left were written off when the consolidated financial statements were prepared.

Note2: The company registered on December 17, 2024; however, the capital had not been fully remitted as of the year ended 2024.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(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	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	Highest interim shareholding ratio	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%	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

c. Significant transactions with the investee company in Mainland China:

As for significant direct or indirect transactions between the consolidated 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

The consolidated company provides the operating results of individual entities in the consolidated financial statements to the operating decision-makers for review. The parent company in Taiwan is responsible for taking orders and Huizhou is responsible for production and shipment. Therefore, the operating decision-makers of the consolidated company consider the Group a single operating segment when managing finances and evaluating operating performance. The operating segment information for 2024 and 2023 is consistent with the information in the consolidated financial statements.

Taiwan Microloops Corp. and Subsidiaries
Notes to Consolidated Financial Statements (continued)

(1) General information

The consolidated company provides the operating results of individual entities in the consolidated financial statements to the operating decision-makers for review. The Company is responsible for taking orders and Huizhou is responsible for production and shipment. Therefore, the operating decision-makers of the Group consider the Group a single operating segment when managing finances and evaluating operating performance. The operating segment information for 2024 and 2023 is consistent with the information in the consolidated financial statements.

(2) Information on products and regions

Please refer to Note 6(16) for details.

(3) Information on major customers

The details of the Group's sales to customers in 2024 and 2023 that exceeded 10% of the operating revenue are as follows:

	2024	%
Group A	\$ 749,902	37
	2023	%
Group A	\$ 407,880	25
Micro-Star International Co., Ltd. Group	196,545	12
Group C	173,872	11
Group D	168,272	10
Group E	165,695	10
	\$ 1,112,264	68