

Airtac International Group and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2024 and 2023 and
Independent Auditors' Report**

Note: The translation version is intended for reference only. If any inconsistency exists between the Chinese and English versions, the Chinese version shall govern.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Airtac International Group

Opinion

We have audited the accompanying consolidated financial statements of Airtac International Group (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2024 are stated as follows:

Estimated recognition of sales revenue

One of the selling models of Airtac international Group is selling goods through dealers. For the year ended December 31, 2024, the sales revenue from dealers was \$9,979,991 thousand. The Group might recognize the sales revenue even when the effective control of the goods sold does not transfer yet. Since the revenue recognition has been identified as a key audit matter. Please refer to Note 4 to the consolidated financial statements for the detail of the information about related accounting policy.

Our key audit procedures performed in respect of the above area included, in addition to testing relevant internal controls, the following:

1. We reviewed the control activities of receiving sales order and shipping goods and test the effective of the design and execution of the control activities. We sample the subsidiary of sales revenue and the timing of sales recognition is verified to the sales condition and was indeed receive the sales order from customers.
2. We sampled the sales contracts and sales order of distributors and confirm the timing of the sales condition and recognition of sales revenue is consistent.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Bo-Ren Weng and Li- Huang Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 3, 2025

Notice to Readers

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

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

ASSETS	2024		2023	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 6,726,167	12	\$ 9,191,705	16
Financial assets at amortized cost - current (Notes 4, 7 and 29)	1,890,652	3	872,509	2
Notes receivable (Note 8)	2,794,557	5	2,953,117	5
Trade receivables (Notes 8 and 28)	6,924,316	12	6,932,598	12
Other receivables	40,887	-	33,920	-
Current tax assets (Note 4)	11,373	-	14,585	-
Inventories (Notes 4 and 9)	6,802,750	12	6,528,334	11
Other current assets (Note 14)	227,891	-	286,736	-
Total current assets	25,418,593	44	26,813,504	46
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 4, 7 and 29)	921,385	2	432,884	1
Property, plant and equipment (Notes 4, 11 and 29)	28,987,297	50	28,559,818	49
Right-of-use assets (Notes 4 and 12)	991,279	2	964,476	2
Investment properties (Notes 4 and 13)	88,652	-	76,095	-
Other intangible assets (Note 4)	30,543	-	35,411	-
Deferred tax assets (Notes 4 and 22)	202,372	-	316,201	1
Other non-current assets (Note 14)	920,687	2	850,376	1
Total non-current assets	32,142,215	56	31,235,261	54
TOTAL	\$ 57,560,808	100	\$ 58,048,765	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 5,611,173	10	\$ 11,370,798	20
Contract liabilities - current (Note 20)	61,032	-	66,885	-
Notes payable (Note 16)	123,534	-	159,464	-
Trade payables (Note 16)	1,005,176	2	958,453	2
Lease liability - current (Notes 4 and 12)	69,472	-	61,032	-
Other payables (Note 17)	1,522,751	3	1,564,102	3
Current tax liabilities (Note 4)	365,996	1	364,847	1
Current portion of long-term borrowings (Note 15)	-	-	2,701	-
Other current liabilities (Note 17)	344,331	-	264,125	-
Total current liabilities	9,103,465	16	14,812,407	26
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 15 and 29)	-	-	10,004	-
Deferred tax liabilities (Notes 4 and 22)	446,198	1	507,524	1
Lease liabilities - non-current (Notes 4 and 12)	80,681	-	87,835	-
Other non-current liabilities (Note 17)	31,346	-	34,616	-
Total non-current liabilities	558,225	1	639,979	1
Total liabilities	9,661,690	17	15,452,386	27
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Share capital	2,000,000	3	2,000,000	3
Capital surplus	14,846,145	26	14,846,145	25
Retained earnings	31,173,887	54	27,145,170	47
Other equity	(127,364)	-	(1,401,822)	(2)
Total equity attributable to owners of the Company	47,892,668	83	42,589,493	73
NON-CONTROLLING INTERESTS	6,450	-	6,886	-
Total equity	47,899,118	83	42,596,379	73
TOTAL	\$ 57,560,808	100	\$ 58,048,765	100

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales (Notes 4, 20 and 33)	\$ 30,660,133	100	\$ 29,827,352	100
OPERATING COSTS				
Cost of goods sold (Notes 9 and 21)	<u>16,346,436</u>	<u>54</u>	<u>16,072,370</u>	<u>54</u>
GROSS PROFIT	<u>14,313,697</u>	<u>46</u>	<u>13,754,982</u>	<u>46</u>
OPERATING EXPENSES (Note 21)				
Selling and marketing expenses	3,046,151	10	2,887,993	9
General and administrative expenses	1,174,931	4	1,118,720	4
Research and development expenses	1,040,124	3	895,969	3
Expected credit loss recognized (gain reversed)	<u>26,977</u>	<u>-</u>	<u>3,111</u>	<u>-</u>
Total operating expenses	<u>5,288,183</u>	<u>17</u>	<u>4,905,793</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>9,025,514</u>	<u>29</u>	<u>8,849,189</u>	<u>30</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 21)				
Other income	162,362	-	128,627	1
Other gains and losses	572,580	2	106,199	-
Finance costs	<u>(126,754)</u>	<u>-</u>	<u>(186,995)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>608,188</u>	<u>2</u>	<u>47,831</u>	<u>-</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	9,633,702	31	8,897,020	30
INCOME TAX EXPENSE (Notes 4 and 22)	<u>2,010,424</u>	<u>6</u>	<u>1,931,605</u>	<u>7</u>
NET PROFIT FOR THE YEAR	<u>7,623,278</u>	<u>25</u>	<u>6,965,415</u>	<u>23</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	1,557,934	5	(775,436)	(3)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	<u>(283,513)</u>	<u>(1)</u>	<u>161,120</u>	<u>1</u>

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
Other comprehensive income for the year, net of income tax	<u>1,274,421</u>	<u>4</u>	<u>(614,316)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 8,897,699</u>	<u>29</u>	<u>\$ 6,351,099</u>	<u>21</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	\$ 7,623,677	25	\$ 6,965,808	23
Non-controlling interests	<u>(399)</u>	<u>-</u>	<u>(393)</u>	<u>-</u>
	<u>\$ 7,623,278</u>	<u>25</u>	<u>\$ 6,965,415</u>	<u>23</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 8,898,135	29	\$ 6,351,474	21
Non-controlling interests	<u>(436)</u>	<u>-</u>	<u>(375)</u>	<u>-</u>
	<u>\$ 8,897,699</u>	<u>29</u>	<u>\$ 6,351,099</u>	<u>21</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 38.12</u>		<u>\$ 34.83</u>	
Diluted	<u>\$ 38.09</u>		<u>\$ 34.81</u>	

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

(Concluded)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company									
						Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings		Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefits Plans			
	Shares (In Thousands)	Ordinary Shares	(Note 19)	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2023	200,000	\$ 2,000,000	\$ 14,846,145	\$ -	\$ 22,867,172	\$ (793,750)	\$ 6,262	\$ 38,925,829	\$ 7,261	\$ 38,933,090
Appropriation of 2022 earnings										
Special reserve	-	-	-	32,712	(32,712)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(2,687,810)	-	-	(2,687,810)	-	(2,687,810)
Net profit for the year ended December 31, 2023	-	-	-	-	6,965,808	-	-	6,965,808	(393)	6,965,415
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(614,334)	-	(614,334)	18	(614,316)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	6,965,808	(614,334)	-	6,351,474	(375)	6,351,099
BALANCE AT DECEMBER 31, 2023	200,000	2,000,000	14,846,145	32,712	27,112,458	(1,408,084)	6,262	42,589,493	6,886	42,596,379
Appropriation of 2023 earnings										
Special reserve	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(3,594,960)	-	-	(3,594,960)	-	(3,594,960)
Net profit for the year ended December 31, 2024	-	-	-	-	7,623,677	-	-	7,623,677	(399)	7,623,278
Other comprehensive income for the year ended December 31, 2024, net of income tax	-	-	-	-	-	1,274,458	-	1,274,458	(37)	1,274,421
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	7,623,677	1,274,458	-	8,898,135	(436)	8,897,699
BALANCE AT DECEMBER 31, 2024	<u>200,000</u>	<u>\$ 2,000,000</u>	<u>\$ 14,846,145</u>	<u>\$ 32,712</u>	<u>\$ 31,141,175</u>	<u>\$ (133,626)</u>	<u>\$ 6,262</u>	<u>\$ 47,892,668</u>	<u>\$ 6,450</u>	<u>\$ 47,899,118</u>

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

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 9,633,702	\$ 8,897,020
Adjustments for:		
Depreciation expenses	2,546,880	2,396,770
Amortization expenses	13,789	17,515
Expected credit loss recognized (gain reversed)	26,977	3,111
Net gain on financial assets/liabilities at fair value through profit or loss	-	(9,837)
Finance costs	126,754	186,995
Interest income	(162,362)	(128,627)
Loss on disposal of property, plant and equipment	86,703	105,788
Loss on disposal of investment properties	2,506	-
Write-down of inventories	44,623	18,022
Net loss (gain) on foreign currency exchange	(208)	8,607
Loss on amendment of lease agreement	(287)	(69)
Gain on expropriation of land use right	(77,402)	-
Changes in operating assets and liabilities:		
(Increase) decrease in notes receivable	261,133	(71,142)
Increase in trade receivables	222,039	(951,748)
(Increase) decrease in other receivables	(23,098)	1,989
Increase in inventories	(91,359)	597,004
(Increase) decrease in other current assets	68,487	53,071
Increase (decrease) in contract liabilities	(8,144)	(10,090)
Increase (decrease) in notes payable	(41,275)	(43,175)
Increase in trade payables	13,102	(106,623)
Increase in other payables	(53,014)	176,022
Increase in deferred revenue	(4,454)	35,165
Increase (decrease) in other current liabilities	70,613	(57,392)
Cash generated from operations	12,655,705	11,118,376
Interest received	137,809	109,267
Interest paid	(137,181)	(188,676)
Income tax paid	(1,977,877)	(1,991,952)
Net cash generated from operating activities	10,678,456	9,047,015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(4,966,545)	(1,824,174)
Proceeds on sale of financial assets at amortized cost	3,555,465	728,070
Proceeds from sale of financial assets at fair value through profit and loss	-	13,602
Payments for property, plant and equipment	(2,605,726)	(2,447,219)
Proceeds from disposal of property, plant and equipment	268,249	45,785
Increase in refundable deposits	(13,295)	(10,737)
Decrease in refundable deposits	19,358	8,690
Payments for intangible assets	(7,911)	(12,616)

(Continued)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
Acquisition of right-of-use assets	(15,985)	(52,227)
Proceeds from disposal of investment properties	39,395	-
Increase in prepayments for equipment	(46,938)	-
Proceeds from disposal of right-of-use assets the price of the land	<u>77,665</u>	<u>-</u>
Net cash used in investing activities	<u>(3,696,268)</u>	<u>(3,550,826)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	622,483
Repayments of short-term borrowings	(5,825,381)	-
Proceeds from repayment of short-term bills payable	-	(500,000)
Proceeds from long-term borrowings	-	12,705
Repayments of long-term borrowings	(12,705)	-
Dividends paid to owners of the Company	(3,594,960)	(2,687,810)
Repayment of the principal portion of lease liability	<u>(85,209)</u>	<u>(86,752)</u>
Net cash used in financing activities	<u>(9,518,255)</u>	<u>(2,639,374)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>70,529</u>	<u>(10,561)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,465,538)	2,846,254
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>9,191,705</u>	<u>6,345,451</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 6,726,167</u>	<u>\$ 9,191,705</u>

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

(Concluded)

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023

(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Airtac International Group (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) was incorporated on September 16, 2009 in British Cayman Islands under reorganization mainly for the purpose of applying for listing on Taiwan Stock Exchange (“TWSE”). Admire Fame International Limited (“Admire Fame”), the Company’s parent company decided on December 23, 2009 with the approval of the shareholders to convert all stocks of Admire Fame to the stocks of the Company at the ratio of 1:1 (referred to as “stock swap” hereunder), and decided to dissolve and liquidate Admire Fame in 2010. Following the stock swap and reorganization, the Company becomes the holding company of a group of enterprises and engages in investment. The main businesses of other companies under the Group are set out in Note 11.

The Company’s stocks were listed on TWSE in December 2010.

The functional currency of the Company is RMB. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s stocks are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and issued on February 27, 2025.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC.

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable,

to the cumulative amount of translation differences in equity as well as affected assets or liabilities

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17—Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosures in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

Note 1: Unless stated otherwise, the above IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

IFRS 18 “Presentation and Disclosures in Financial Statements”

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as ‘other’ only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance

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

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Classification of Current and Non-current Assets and Liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and

other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 10 and Table 2 and 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Foreign Currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Inventories

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

g. Property, Plant and Equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized using the straight-line method. Each part of a property, plant and equipment item that is significant to the total cost of the item is depreciated separately. The estimated useful lives, residual values and depreciation method are audited at the end of each reporting period, with any changes in estimates accounted for prospectively.

Any gain or loss on the disposal or retirement of a property, plant and equipment item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible Assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis. The estimated useful life residual value, and amortization method are audited at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognizes an intangible asset at fair value upon initial recognition. The intangible asset is subsequently measured at cost less accumulated amortization and any accumulated impairment loss.

2) Derecognition of intangible assets

Gains or losses arising from the derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

j. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as

expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial asset at FVTPL

Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends, interest earned and remeasurement gains or losses on such financial assets are

recognized in other gains or losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, note receivables at amortized cost, trade receivables and other receivables, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial

recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Group):

- i) Internal or external information show that the debtor is unlikely to pay its creditors.
- ii) When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity Instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3) Financial Liabilities

a) Subsequent measurement

Financial liabilities using the effective interest method at amortized cost.

b) Derecognition of financial liabilities

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

1. Revenue Recognition

The Group identifies the contract with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Revenue from sale of goods

Revenue from sale of goods comes from sales of pneumatic components. Sales of pneumatic components are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivable is recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

m. Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases

accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

p. Retirement Benefit Costs

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liability (asset)) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings/other equity and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training

expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 and its economic environment implications when making its critical accounting estimates on cash flows, growth rates, discount rates, profitabilities, etc. The estimates and underlying assumptions are

reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

1) Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

2) Write-down of inventories

The net realizable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2024	2023
Cash on hand	\$ 526	\$ 640
Checking accounts	30,237	51,277
Demand deposits	2,565,450	4,368,442
Cash equivalent		
Time deposits with original maturities less than three months	4,129,954	4,771,346
	<u>\$ 6,726,167</u>	<u>\$ 9,191,705</u>

The rate intervals of cash in the bank and cash equivalent at the end of the year were as follows:

	December 31	
	2024	2023
Demand deposits	0.002%~0.80%	0.001%~1.45%
Cash equivalent (Time deposits with original maturities less than three months)	0.70%~4.80%	0.60%~4.05%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2024	2023
<u>Current</u>		
Time deposits with original maturity of more than 3 months	\$ 499,317	\$ 6,382
Structured deposits	1,391,335	866,127
	<u>\$ 1,890,652</u>	<u>\$ 872,509</u>

	December 31	
	2024	2023
<u>Non-current</u>		
Time deposits with original maturity of more than 3 months	\$ 921,385	\$ 432,884

The rate intervals of financial assets at amortized cost at the end of the year were as follows:

	December 31	
	2024	2023
<u>Current</u>		
Time deposits with original maturity of more than 3 months	1.10%~1.80%	1.65%
Structured deposits	1.36%~1.86%	2.07%~2.12%
<u>Non-current</u>		
Time deposits with original maturity of more than 3 months	3.05%~3.10%	3.10%

Refer to Note 29 for information relating to investments in financial assets at amortized cost pledged as security.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2024	2023
<u>Notes receivable</u>		
At amortized cost		
Notes receivable - operating	\$ 2,817,213	\$ 2,975,886
Less: Allowance for impairment loss	(22,656)	(22,769)
	<u>\$ 2,794,557</u>	<u>\$ 2,953,117</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 7,017,488	\$ 7,005,083
Less: Allowance for impairment loss	(93,172)	(72,485)
	<u>\$ 6,924,316</u>	<u>\$ 6,932,598</u>

The average credit period of sales of goods was 30 to 180 days. No interest was charged on trade receivables. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a

provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2024

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 630 days	Over 631 days	Total
Expected credit loss rate	0.05%	0.84%	27.56%	42.81%	94.72%	98.51%	100%	
Gross carrying amount	\$ 9,193,817	\$ 405,855	\$ 123,431	\$ 65,171	\$ 7,877	\$ 8,410	\$ 30,140	\$ 9,834,701
Loss allowance (Lifetime ECL)	(4,634)	(3,389)	(34,022)	(27,897)	(7,461)	(8,285)	(30,140)	(115,828)
Amortized cost	<u>\$ 9,189,183</u>	<u>\$ 402,466</u>	<u>\$ 89,409</u>	<u>\$ 37,274</u>	<u>\$ 416</u>	<u>\$ 125</u>	<u>\$ -</u>	<u>\$ 9,718,873</u>

December 31, 2023

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 630 days	Over 631 days	Total
Expected credit loss rate	0.18%	3.61%	52.33%	74.85%	86.93%	89.81%	100%	
Gross carrying amount	\$ 9,343,633	\$ 564,372	\$ 22,413	\$ 12,813	\$ 2,671	\$ 4,159	\$ 30,908	\$ 9,980,969
Loss allowance (Lifetime ECL)	(16,572)	(20,398)	(11,729)	(9,590)	(2,322)	(3,735)	(30,908)	(95,254)
Amortized cost	<u>\$ 9,327,061</u>	<u>\$ 543,974</u>	<u>\$ 10,684</u>	<u>\$ 3,223</u>	<u>\$ 349</u>	<u>\$ 424</u>	<u>\$ -</u>	<u>\$ 9,885,715</u>

The movements of the loss allowance of notes receivable were as follows:

	For the Year Ended December 31	
	2024	2023
Balance at January 1	\$ 22,769	\$ 22,587
Net remeasurement of loss allowance		
(Impairment losses reversed)	(888)	597
Foreign exchange gains and losses	775	(415)
Balance at December 31	<u>\$ 22,656</u>	<u>\$ 22,769</u>

The movements of the loss allowance of trade receivable were as follows:

	For the Year Ended December 31	
	2024	2023
Balance at January 1	\$ 72,485	\$ 72,972
Add: Amounts recovered	-	659
Add: Net remeasurement of loss allowance	27,865	2,514
Less: Amounts written off	(9,561)	(2,688)
Foreign exchange gains and losses	2,383	(972)
Balance at December 31	<u>\$ 93,172</u>	<u>\$ 72,485</u>

9. INVENTORIES

	December 31	
	2024	2023
Raw materials	\$ 1,741,692	\$ 1,828,515
Finished goods	2,429,888	2,486,844
Work in progress	2,631,170	2,212,975
	<u>\$ 6,802,750</u>	<u>\$ 6,528,334</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2024 and 2023 were \$16,346,436 thousand and \$16,072,370 thousand, respectively. For the years ended December 31, 2024 and 2023, the cost of goods sold included inventory write-downs amounting to \$44,623 thousand and \$18,022 thousand, respectively.

10. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	Proportion of Ownership (%)	
		December 31	
		2024	2023
Airtac International Group	Airtac Trading (Hong Kong) Limited	100	100
	Airtac Industrial (Hong Kong) Limited	100	100
	INSTANT REACH INTERNATIONAL LIMITED	100	100
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	100	100
Airtac Industrial (Hong Kong) Limited	Ningbo Airtac Automatic Industrial Co., Ltd.	100	100
	Guangdong Airtac Automatic Industrial Co., Ltd.	100	100
	Airtac (China) Co., Ltd.	100	100
	Airtac (Jiangsu) Automation Co., Ltd.	100	100
INSTANT REACH INTERNATIONAL LIMITED	ATC (ITALIA) S.R.L.	100	100
	Airtac Enterprise Co., Ltd.	69.44	69.44
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	100	100
	Airtac Co., Ltd.	100	100
	AIRTAC USA CORPORATION	100	100
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	100	100
	AIRTAC INDUSTRIAL CO., LTD.	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	100
	Airtac (Shandong) Automatic Industrial Co., Ltd.	100	100

- 1) Airtac Industrial (Hong Kong) Limited, INSTANT REACH INTERNATIONAL LIMITED and AIRTAC HOLDING (SINGAPORE) PTE. LTD. are primarily holding companies.
- 2) Ningbo Airtac Automatic Industrial Co., Ltd. was established on August 16, 2001 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic components, Actuator components, air preparation components, and pneumatic

accessories. Guangdong Airtac Automatic Industrial Co., Ltd. (previously Guangzhou Airtac Automatic Industrial Co., Ltd.) was established on December 31, 2006 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic control components, Actuator components, air preparation components, and pneumatic accessories. Airtac (China) Co., Ltd. primarily in the production, R&D, distribution, storage of industrial con was established on May 6, 2011 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Airtac (Jiangsu) Automation Co., Ltd. primarily in the production, distribution, storage of industrial con was established on July 2, 2015 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services.

- 3) Airtac Enterprise Co., Ltd. was established on May 9, 1989 and engages primarily in the processing and sales of machinery and automated machines, manufacturing, processing and sales of hydraulic/pneumatic parts and components, and import and export trade of the aforementioned products. ATC (ITALIA) S.R.L. was established on June 10, 2008 and engages primarily in the production and sales of pneumatic and hydraulic control components.
- 4) AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD. was established on August 11, 2011 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac Co., Ltd. was established on April 18, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. AIRTAC USA CORPORATION was established on November 4, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
- 5) AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD. was established on July 16, 2013 and engages in the sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. AIRTAC INDUSTRIAL CO., LTD. was established on April 21, 2015 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
- 6) Guangdong Airtac Intelligent Equipment Co., Ltd. was established on November 30, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac (Tianjin) Intelligent Technology Co., Ltd. was established on September 20, 2017 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services. Airtac (Fujian) Intelligent Equipment Co., Ltd. was established on July 18, 2018 and engages in the sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services.
- 7) Airtac (Shandong) Automatic Industrial Co., Ltd. was established on June 16, 2023 and engages in the sales of industrial automatic control system devices, intelligent warehousing equipment,

metal tools, special equipment for environmental protection, mechanical equipment, electrical equipment, mechanical and electrical equipment, general mechanical equipment installation services, and mechanical equipment research and development.

11. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2024	2023
Assets used by the Group	\$ 28,987,297	\$ 28,506,284
Assets leased under operating leases	-	53,534
	<u>\$ 28,987,297</u>	<u>\$ 28,559,818</u>

1) Assets used by the Group

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
Cost							
Balance at January 1, 2024	\$ 890,359	\$ 14,861,914	\$ 19,465,762	\$ 454,423	\$ 2,463,011	\$ 913,858	\$ 39,049,327
Additions	-	48,221	949,729	86,612	385,641	1,103,081	2,573,284
Disposals	-	(401,322)	(320,241)	(71,812)	(275,502)	-	(1,068,877)
Reclassification	-	1,142,943	-	-	-	(1,142,943)	-
Effect of foreign currency exchange differences	-	337,962	534,492	14,414	75,674	31,679	994,221
Balance at December 31, 2024	<u>\$ 890,359</u>	<u>\$ 15,989,718</u>	<u>\$ 20,629,742</u>	<u>\$ 483,637</u>	<u>\$ 2,648,824</u>	<u>\$ 905,675</u>	<u>\$ 41,547,955</u>
Accumulated depreciation and impairment							
Balance at January 1, 2024	\$ -	\$ 2,348,769	\$ 6,457,356	\$ 309,892	\$ 1,427,026	\$ -	\$ 10,543,043
Depreciation expenses	-	359,401	1,626,556	54,544	399,011	-	2,439,512
Disposals	-	(210,379)	(181,856)	(58,465)	(263,225)	-	(713,925)
Effect of foreign currency exchange differences	-	62,606	175,639	10,130	43,653	-	292,028
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 2,560,397</u>	<u>\$ 8,077,695</u>	<u>\$ 316,101</u>	<u>\$ 1,606,465</u>	<u>\$ -</u>	<u>\$ 12,560,658</u>
Carrying amount at December 31, 2024	<u>\$ 890,359</u>	<u>\$ 13,429,321</u>	<u>\$ 12,552,047</u>	<u>\$ 167,536</u>	<u>\$ 1,042,359</u>	<u>\$ 905,675</u>	<u>\$ 28,987,297</u>
Cost							
Balance at January 1, 2023	\$ 890,359	\$ 13,066,344	\$ 18,820,395	\$ 388,781	\$ 2,190,625	\$ 2,308,055	\$ 37,664,559
Additions	-	51,563	594,732	79,711	360,605	1,512,637	2,599,248
Disposals	-	(53)	(479,573)	(32,901)	(164,905)	-	(677,432)
Reclassification	-	1,931,841	812,701	26,429	114,884	(2,885,855)	-
Effect of foreign currency exchange differences	-	(166,281)	(282,493)	(7,597)	(38,198)	(20,979)	(515,548)
Transfers to investment properties	-	(21,500)	-	-	-	-	(21,500)
Balance at December 31, 2023	<u>\$ 890,359</u>	<u>\$ 14,861,914</u>	<u>\$ 19,465,762</u>	<u>\$ 454,423</u>	<u>\$ 2,463,011</u>	<u>\$ 913,858</u>	<u>\$ 39,049,327</u>
Accumulated depreciation and impairment							
Balance at January 1, 2023	\$ -	\$ 2,112,182	\$ 5,326,308	\$ 251,276	\$ 1,240,025	\$ -	\$ 8,929,791
Depreciation expenses	-	267,802	1,552,634	96,479	373,878	-	2,290,793
Disposals	-	(53)	(331,335)	(31,882)	(162,589)	-	(525,859)
Effect of foreign currency exchange differences	-	(26,324)	(90,251)	(5,981)	(24,288)	-	(146,844)
Transfers to investment properties	-	(4,838)	-	-	-	-	(4,838)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 2,348,769</u>	<u>\$ 6,457,356</u>	<u>\$ 309,892</u>	<u>\$ 1,427,026</u>	<u>\$ -</u>	<u>\$ 10,543,043</u>
Carrying amount at December 31, 2023	<u>\$ 890,359</u>	<u>\$ 12,513,145</u>	<u>\$ 13,008,406</u>	<u>\$ 144,531</u>	<u>\$ 1,035,985</u>	<u>\$ 913,858</u>	<u>\$ 28,506,284</u>

No impairment assessment was performed for the years ended December 31, 2024 and 2023 as there was no indication of impairment. There was no impairment indication for property, plant and equipment.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings and structures

Main Buildings

40-50 years

Engineering systems

10-20 years

Machinery and equipment

5-20 years

Transportation equipment

5 years

Office equipment and other equipment

3-15 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 29.

2) Assets leased under operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2024	\$ 72,806
Transfers to investment properties	(74,948)
Effect of foreign currency exchange differences	<u>2,142</u>
Balance at December 31, 2024	<u>\$ -</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2024	\$ 19,272
Depreciation expenses	747
Transfers to investment properties	(20,586)
Effect of foreign currency exchange differences	<u>567</u>
Balance at December 31, 2024	<u>\$ -</u>
Balance at December 31, 2024	<u>\$ -</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 118,209
Transfers to investment properties	(43,916)
Effect of foreign currency exchange differences	(<u>1,487</u>)
Balance at December 31, 2023	<u>\$ 72,806</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2023	\$ 23,802
Depreciation expenses	2,294
Transfers to investment properties	(6,451)
Effect of foreign currency exchange differences	(<u>373</u>)
Balance at December 31, 2023	<u>\$ 19,272</u>
Balance at December 31, 2023	<u>\$ 53,534</u>

Operating leases relate to leases of buildings with lease terms between 1 to 10 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Year 1	\$ -	\$ 1,838
Year 2	-	1,717
Year 3	-	1,088
Year 4	-	1,142
Year 5	-	1,199
Year 6 onwards	<u>-</u>	<u>2,126</u>
	<u>\$ -</u>	<u>\$ 9,110</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main Buildings	40 years

12. LEASE AGUREMENT

1) Right-of-use assets

	December 31	
	2024	2023
Carrying amount		
Land	\$ 836,944	\$ 812,924
Buildings	<u>154,335</u>	<u>151,552</u>
	<u>\$ 991,279</u>	<u>\$ 964,476</u>
	For the years ended December 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 107,997</u>	<u>\$ 102,354</u>
Depreciation of right-of-use assets		
Land	\$ 20,049	\$ 18,739
Buildings	<u>83,961</u>	<u>83,495</u>
	<u>\$ 104,010</u>	<u>\$ 102,234</u>

2) Lease Liabilities

	December 31	
	2024	2023
Carry amount		
Current	<u>\$ 69,472</u>	<u>\$ 61,032</u>
Non-current	<u>\$ 80,681</u>	<u>\$ 87,835</u>

Range of discount rate for lease liabilities was as follows:

	December 31	
	2024	2023
Buildings and structures	1.73%~4.35%	1.73%~4.35%

3) Material leasing activities and terms

The Company lease buildings mainly for the use of offices and staff dormitory with lease terms of 1 to 7 years. The prepayments for leases is applicable to the land use right located in Mainland China with lease terms of 30 to 50 years. The Company does not have purchase options to acquire the leasehold buildings at the end of the lease terms.

4) Other lease information

	For the years ended December 31	
	2024	2023
Expenses relating to short-term leases	<u>\$ 32,133</u>	<u>\$ 36,235</u>
Total cash outflow for leases	<u>\$ 126,533</u>	<u>\$ 189,396</u>

All lease commitments (the Group as a lessee) with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2024	2023
Lease commitments	<u>\$ 5,231</u>	<u>\$ 28,222</u>

13. INVESTMENT PROPERTIES

	Buildings
<u>Cost</u>	
Balance at January 1, 2024	\$ 90,958
Transfers from operating lease of leased properties	74,948
Disposals	(50,641)
Effect of foreign currency exchange differences	<u>3,303</u>
Balance at December 31, 2024	<u>\$ 118,568</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2024	\$ 14,863
Transfers from operating lease of leased properties	50,586
Depreciation expenses	2,611
Disposals	(8,740)
Effect of foreign currency exchange differences	<u>596</u>
Balance at December 31, 2024	<u>\$ 29,916</u>
Carrying amount at December 31, 2024	<u>\$ 88,652</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 27,060
Transfers from property, plant and equipment	21,500
Transfers from operating lease of leased properties	43,916
Effect of foreign currency exchange differences	(1,518)
Balance at December 31, 2023	<u>\$ 90,958</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2023	\$ 2,368
Transfers from property, plant and equipment	4,838
Transfers from operating lease of leased properties	6,451
Depreciation expenses	1,449
Effect of foreign currency exchange differences	(243)
Balance at December 31, 2023	<u>\$ 14,863</u>
Carrying amount at December 31, 2023	<u>\$ 76,095</u>

The investment properties are leased out for 2-5 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods. The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2024	2023
Year 1	\$ 1,409	\$ 4,252
Year 2	1,720	3,951
Year 3	1,003	2,138
Year 4	752	2,176
Year 5	-	1,136
	<u>\$ 4,884</u>	<u>\$ 13,653</u>

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	40 years
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The management of the Company used the valuation model that market participants would use in determining the fair value, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The fair value as appraised was as follows:

	December 31	
	2024	2023
Fair value	<u>\$ 139,552</u>	<u>\$ 162,046</u>

14. OTHER ASSETS

	December 31	
	2024	2023
<u>Current</u>		
Prepayments	\$ 78,656	\$ 103,698
Prepaid expenses	118,727	140,205
Excess VAT paid	29,046	37,269
Others	<u>1,462</u>	<u>5,564</u>
	<u>\$ 227,891</u>	<u>\$ 286,736</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 897,787	\$ 821,917
Refundable deposits	15,943	21,502
Net defined benefit assets	<u>6,957</u>	<u>6,957</u>
	<u>\$ 920,687</u>	<u>\$ 850,376</u>

15. BORROWINGS

(1) Short-term borrowings

	December 31	
	2024	2023
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 5,611,173</u>	<u>\$ 11,370,798</u>

The range of interest rates on bank loans were 1.69%-5.15% and 1.66%-5.82% per annum at December 31, 2024 and 2023, respectively.

(2) Long-term borrowings

	December 31	
	2024	2023
<u>Unsecured borrowings</u>		
Bank Loan	\$ -	\$ 12,705
Deduct: Current portion	-	(2,701)
Long-term borrowings	<u>\$ -</u>	<u>\$ 10,004</u>

During the year ended December 31, 2023, the Group acquired new bank borrowing facilities in the amounts of \$12,705 thousand, with a fixed interest rate of 1.73%. It has been repaid in 2024.

Refer to Note 29 for the information relating to the Group's assets pledged as collateral bank loans.

16. NOTES PAYABLE AND TRADE PAYABLES

The Group's average credit terms of purchasing goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within pre-agreed credit terms.

17. OTHER LIABILITIES

	December 31	
	2024	2023
<u>Current</u>		
Other payables		
Salaries and bonus	\$ 1,207,498	\$ 1,178,722
Payables for purchase of equipment	92,577	120,970
Others	<u>222,676</u>	<u>264,410</u>
	<u>\$ 1,522,751</u>	<u>\$ 1,564,102</u>
Other current liabilities		
Other taxes	\$ 314,672	\$ 237,175
Others	<u>29,659</u>	<u>26,950</u>
	<u>\$ 344,331</u>	<u>\$ 264,125</u>
<u>Non-current</u>		
Other non-current liabilities		
Deferred revenue	<u>\$ 31,346</u>	<u>\$ 34,616</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and Airtac Enterprise Co., Ltd. adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China and Italy are members of a state-managed retirement benefit plan operated by the government of China and Italy. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company and Airtac Enterprise Co., Ltd. in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The actuarial valuations of the present value of the defined benefit obligation of Airtac Enterprise Co., Ltd. for the years ended December 31, 2024 and 2023 were not carried out by qualified actuaries. However, the Group considers that there would make no material impact on the consolidated statements.

19. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2024	2023
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares issued	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	December 31	
	2024	2023
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 14,099,953	\$ 14,099,953
Organization Reconstruction	704,640	704,640
Donations	41,552	41,552
	<u>\$ 14,846,145</u>	<u>\$ 14,846,145</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, the Company may, by a resolution adopted by a majority of the Directors who represent two-thirds or more of the total number of Directors in a board meeting, distribute to the Members, in the form of cash, all or a portion of its dividends and bonuses and/or legal reserve and capital reserve derived from issuance of new shares at a premium or from gifts received by the Company, and shall subsequently report such distribution to a shareholders' meeting.

Under the dividends policy as set forth in the Articles, if there is any Annual Net Income (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings); then a special capital reserve shall be set aside in accordance with the Applicable Public Company Rules or as requested by the authorities in charge. The board shall prepare and propose a profit distribution proposal to the shareholders' meeting for a dividend distribution of any surplus, plus the undistributed earnings (include the adjusted amount of undistributed earnings) to be resolved and adopted by the shareholders' meeting. Unless otherwise resolved by the Directors at the board meeting and the Members at the general meeting by an Ordinary Resolution, the amount of profits distributed to Members shall not be lower than 30% of the distributable surplus earnings generated from the current fiscal year and the amount of cash dividends distributed shall not be less than 10% of the profits proposed to be distributed of the current fiscal year.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, please refer to employees' compensation and remuneration of directors and supervisors in Note 21 f.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity, such as the accumulated balance of foreign currency translation reserve. For the subsequent

decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2023 and 2022 were as follows:

	For the Year Ended December 31	
	2023	2022
Special reserves	\$ -	\$ 32,712
Cash dividends	<u>\$3,594,960</u>	<u>\$2,687,810</u>
Cash dividends per share (NT\$)	\$ 17.97	\$ 13.44

The above 2023 and 2022 appropriations for cash dividends had been resolved by the Company's board of directors on March 11, 2024 and March 8, 2023, respectively. The other proposed appropriations for 2022 was resolved by the shareholders in their meeting to be held on June 20, 2023.

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$796,000 thousand, RMB \$3.98 per share on March 11, 2024 and the report of such distribution had been submitted to the shareholder's meeting on May 30, 2024. The actual amount converted and paid in New Taiwan Dollars were 3,594,960 thousand, NT\$17.97 per share.

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$610,000 thousand, RMB \$3.05 per share on March 8, 2023 and the report of such distribution had been submitted to the shareholder's meeting on June 20, 2023. The actual amount converted and paid in New Taiwan Dollars were 2,687,810 thousand, NT\$13.44 per share.

The appropriation of earnings for 2024, which were resolved by the Company's board of directors on February 27, 2025, were as follows:

	For the Year Ended December 31, 2024
Special reserves	<u>\$ 155,990</u>
Cash dividends	<u>\$4,227,912</u>
Cash dividends per share (NT\$)	<u>\$ 21.14</u>

The board of directors had resolved to issue cash dividends from capital surplus of RMB \$936,000 thousand, RMB \$4.68 per share on February 27, 2025. The amount converted in New Taiwan Dollars were NT\$4,227,912 thousand, NT\$21.14 per share; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 21, 2025.

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2024	2023
Balance at January 1	(\$ 1,408,084)	(\$ 793,750)
Exchange differences on translating foreign operations	(283,239)	160,972
Exchange differences on translating to presentation currency	<u>1,557,697</u>	<u>(775,306)</u>
Balance at December 31	<u>(\$ 133,626)</u>	<u>(\$ 1,408,084)</u>

The relating exchange differences arising from the net assets of the Group's foreign operations which are translated from the functional currency to expression currency (i.e. NTD) are recognized in exchange differences on translating foreign operations of other comprehensive income.

20. REVENUE

	For the Year Ended December 31	
	2024	2023
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 30,660,133</u>	<u>\$ 29,827,352</u>

a. Contract information

Revenue from sale of goods

The Group sells pneumatic control components to the wholesale market and directly to customers both through its own retail outlets. Volume discount is offered to wholesaler whose purchase exceeds a specific threshold. The amount of discount and related revenue are estimated using the most likely amount. All other goods are sold at respective fixed amounts as agreed in the contracts.

b. Contract balances

	December 31, 2024	December 31, 2023	January 1, 2023
Note receivables and trade receivables (Note 8)	<u>\$ 9,718,873</u>	<u>\$ 9,885,715</u>	<u>\$ 9,049,809</u>
Contract liabilities-current			
Sale of goods	<u>\$ 61,032</u>	<u>\$ 66,885</u>	<u>\$ 78,256</u>

c. Disaggregation of revenue

Refer to Note 33 for information about the disaggregation of revenue.

21. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

Net income from continuing operations includes:

a. Interest revenue

	For the Year ended December 31	
	2024	2023
Bank deposits	\$ 120,149	\$ 125,318
Financial assets at amortized cost	<u>42,213</u>	<u>3,309</u>
	<u>\$ 162,362</u>	<u>\$ 128,627</u>

b. Other gains and losses

	For the Year ended December 31	
	2024	2023
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily classified as at FVTPL	\$ -	\$ 9,837
Net foreign exchange gains (losses)	306,111	(113,357)
Government grants	256,676	304,281
Loss on disposal of property, plant and equipment	(86,703)	(105,788)
Loss on disposal of investment properties	(2,506)	-
Gain on expropriation of land use right	77,402	-
Others	<u>21,600</u>	<u>11,226</u>
	<u>\$ 572,580</u>	<u>\$ 106,199</u>

c. Financial costs

	For the Year ended December 31	
	2024	2023
Interest on bank loans	\$ 122,738	\$ 182,380
Interest on lease liability	<u>4,016</u>	<u>4,615</u>
	<u>\$ 126,754</u>	<u>\$ 186,995</u>

d. Depreciation and amortization

	For the Year ended December 31	
	2024	2023
An analysis of deprecation by function		
Operating costs	\$ 2,058,227	\$ 1,917,489
Operating expenses	<u>488,653</u>	<u>479,281</u>
	<u>\$ 2,546,880</u>	<u>\$ 2,396,770</u>
An analysis of amortization by function		
Operating costs	\$ 894	\$ 971
Operating expenses	<u>12,895</u>	<u>16,544</u>
	<u>\$ 13,789</u>	<u>\$ 17,515</u>

e. Employee benefits expense

	For the Year ended December 31	
	2024	2023
Post-employment benefits		
Defined contribution plans	\$ 363,511	\$ 316,430
Other employee benefits	<u>6,705,427</u>	<u>6,379,308</u>
Total employee benefits expense	<u>\$ 7,068,938</u>	<u>\$ 6,695,738</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 4,024,846	\$ 3,762,453
Operating expenses	<u>3,044,092</u>	<u>2,933,285</u>
	<u>\$ 7,068,938</u>	<u>\$ 6,695,738</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors.

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2024 and 2023 which have been approved by the Company's board of directors on February 27, 2025 and March 11, 2024 respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2024	2023
Employees' compensation	1%	1%

Amount

	Cash	
	For the Year Ended December 31	
	2024	2023
Employees' compensation	\$ 96,870	\$ 89,861

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2023 and 2022.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Year ended December 31	
	2024	2023
Foreign exchange gains	\$ 385,097	\$ 71,249
Foreign exchange losses	(<u>78,986</u>)	(<u>184,606</u>)
Net gains (losses)	<u>\$ 306,111</u>	<u>(\$ 113,357)</u>

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	For the Year ended December 31	
	2024	2023
Current tax		
In respect of the current year	\$ 1,557,352	\$ 1,534,112
Adjustments for prior years	(<u>956</u>)	(<u>18,378</u>)
	<u>1,556,396</u>	<u>1,515,734</u>
Deferred tax		
In respect of the current year	<u>454,028</u>	<u>415,871</u>
Income tax expense recognized in profit or loss	<u>\$ 2,010,424</u>	<u>\$ 1,931,605</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year ended December 31	
	2024	2023
Profit before tax from continuing operations	<u>\$ 9,633,702</u>	<u>\$ 8,897,020</u>
Income tax expense calculated at the statutory rate	\$ 2,226,154	\$ 2,182,224
Nondeductible expenses in determining taxable income	9,527	10,355
Tax-exempt income	(125,700)	(150,400)
R&D with tax credits	(97,337)	(81,277)
Disable persons with tax credits	(2,378)	(2,269)
Adjustments for prior years' tax	(956)	(18,378)
Others	<u>1,114</u>	<u>(8,650)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,010,424</u>	<u>\$ 1,931,605</u>

The applicable tax rate used by subsidiaries in China is 25% and 15%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2024

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 12,519	\$ 6,502	\$ 181	\$ -	\$ 19,202
Allowance for impaired receivables	41,922	4,203	1,552	-	47,677
Unrealized gross profit	70,976	9,465	2,975	-	83,416
Others	<u>65,501</u>	<u>(27,734)</u>	<u>1,201</u>	<u>-</u>	<u>38,968</u>
	190,918	(7,564)	5,909	-	189,263
Loss carryforwards	<u>125,283</u>	<u>(112,780)</u>	<u>606</u>	<u>-</u>	<u>13,109</u>
	<u>\$ 316,201</u>	<u>(\$ 120,344)</u>	<u>\$ 6,515</u>	<u>\$ -</u>	<u>\$ 202,372</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 401	\$ 6,102	\$ 308	\$ -	\$ 6,811
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	478,521	330,835	20,477	(416,725)	413,108
Property, plant and equipment	<u>27,211</u>	<u>(3,252)</u>	<u>929</u>	<u>-</u>	<u>24,888</u>
	<u>\$ 507,524</u>	<u>\$ 333,685</u>	<u>\$ 21,714</u>	<u>(\$ 416,725)</u>	<u>\$ 446,198</u>

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Others	Closing Balance
<u>Deferred Tax Assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 16,836	(\$ 4,302)	(\$ 15)	\$ -	\$ 12,519
Allowance for impaired receivables	36,694	5,902	(674)	-	41,922
Unrealized gross profit	124,454	(51,907)	(1,571)	-	70,976
Others	<u>20,927</u>	<u>45,202</u>	<u>(628)</u>	<u>-</u>	<u>65,501</u>
	198,911	(5,105)	(2,888)	-	190,918
Loss carryforwards	<u>193,481</u>	<u>(68,439)</u>	<u>241</u>	<u>-</u>	<u>125,283</u>
	<u>\$ 392,392</u>	<u>(\$ 73,544)</u>	<u>(\$ 2,647)</u>	<u>\$ -</u>	<u>\$ 316,201</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized exchange gains	\$ 1,611	(\$ 1,246)	\$ 36	\$ -	\$ 401
Fair value changes of financial assets	433	(377)	(56)	-	-
Defined benefit obligation	1,391	-	-	-	1,391
Withholding tax	606,991	316,450	(9,361)	(435,559)	478,521
Property, plant and equipment	<u>-</u>	<u>27,500</u>	<u>(289)</u>	<u>-</u>	<u>27,211</u>
	<u>\$ 610,426</u>	<u>\$ 342,327</u>	<u>(\$ 9,670)</u>	<u>(\$ 435,559)</u>	<u>\$ 507,524</u>

- c. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2024	2023
Loss carryforwards		
Expire in 2026	\$ 1,366	\$ 1,366
Expire in 2027	587	587
Expire in 2028	1,512	1,512
Expire in 2029	1,505	1,505
Expire in 2030	3,704	3,704
Expire in 2031	1,447	1,447
Expire in 2032	1,470	1,470
Expire in 2033	1,288	1,288
Expire in 2034	1,304	-
	<u>\$ 14,183</u>	<u>\$ 12,879</u>

- d. Information about unused loss carry-forward and tax-exemption

Loss carryforwards as of December 31, 2024 comprised of:

<u>Unused Amount</u>	<u>Expiry Year</u>
\$ 1,366	2026
587	2027
1,512	2028
1,505	2029
3,704	2030
1,447	2031
1,470	2032
1,288	2033
1,304	2034
<u>54,621</u>	None
<u>\$ 68,804</u>	

- e. Income tax assessments

The income tax returns of the Company and subsidiaries, except INSTANT REACH INTERNATIONAL LIMITED are exempted from income tax, Airtac International Group Taiwan Branch, and Airtac Enterprise Co., Ltd. have been respectively examined and cleared by the ROC tax authority through 2022. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

23. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation were as follows:

Net profit for the period

	For the year ended December 31	
	2024	2023
Profit for the period attributable to owners of the Company	<u>\$7,623,677</u>	<u>\$6,965,808</u>
Earnings used in the computation of basic earnings per share	<u>\$7,623,677</u>	<u>\$6,965,808</u>
Earnings used in the computation of diluted earnings per share	<u>\$7,623,677</u>	<u>\$6,965,808</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the year ended December 31	
	2024	2023
Weighted average number of ordinary shares in computation of basic earnings per share	200,000	200,000
Effect of potentially dilutive ordinary shares:		
Bonus issue to employees or employee remuneration	<u>132</u>	<u>100</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>200,132</u>	<u>200,100</u>

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. GOVERNMENT GRANTS

The government grants indicate the governmental subsidies received by subsidiaries in Mainland China from the local finance bureau.

25. CASH FLOW INFORMATION

(1) Non-Cash Transactions

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows during the period of the years ended December 31, 2024 and 2023.

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$2,573,284 thousand during the year ended December 31, 2024. Other trade payables decreased \$32,442

thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$2,605,726 thousand (refer to Note 11).

- b. The Group acquired property, plant and equipment with an aggregate fair value of \$2,599,248 thousand during the year ended December 31, 2023. Other trade payables decreased \$59,561 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$2,447,219 thousand (refer to Note 11).
- c. The Group acquired the right-of-use assets with value of \$107,997 thousand during the year ended December 31, 2024. Lease liability increased \$92,012 thousand. The cash paid of the Group for acquisition of the right-of-use assets was \$15,985 thousand (refer to Note 12)
- d. The Group acquired the right-of-use assets with value of \$102,354 thousand during the year ended December 31, 2023. Lease liability increased \$50,127 thousand. The cash paid of the Group for acquisition of the right-of-use assets was \$52,227 thousand (refer to Note 12).

(2) Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2024

	Balance as of January 1, 2024	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2024
			New Leases	Adjustments	Foreign Exchange Movement	
Short-term borrowings	\$ 11,370,798	(\$ 5,825,381)	\$ -	\$ -	\$ 65,756	\$ 5,611,173
Long-term borrowings	12,705	(12,705)	-	-	-	-
Lease liabilities	148,867	(85,209)	92,012	(11,466)	5,949	150,153
	<u>\$ 11,532,370</u>	<u>(\$ 5,923,295)</u>	<u>\$ 92,012</u>	<u>(\$ 11,466)</u>	<u>\$ 71,705</u>	<u>\$ 5,761,326</u>

For the year ended December 31, 2023

	Balance as of January 1, 2023	Financing Cash Flow	Non-cash changes			Balance as of December 31, 2023
			New Leases	Adjustments	Foreign Exchange Movement	
Short-term borrowings	\$ 10,781,921	\$ 622,483	\$ -	\$ -	(\$ 33,606)	\$ 11,370,798
Short-term bills payable	500,000	(500,000)	-	-	-	-
Long-term borrowings	-	12,705	-	-	-	12,705
Lease liabilities	188,496	(86,752)	50,127	(2,726)	(278)	148,867
	<u>\$ 11,470,417</u>	<u>\$ 48,436</u>	<u>\$ 50,127</u>	<u>(\$ 2,726)</u>	<u>(\$ 33,884)</u>	<u>\$ 11,532,370</u>

26. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt borrowings offset by cash and cash equivalents and equity of the Group comprising issued capital, reserves, retained earnings, other equity and non-controlling interests.

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a semi-annual basis. As part of this review, the key management personnel consider the cost of capital and the risks

associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

27. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and liabilities not measured at fair value are close to the fair value.

- b. Categories of financial instruments

	December 31	
	2024	2023
<u>Financial assets</u>		
Financial assets at amortized cost (Note 1)	\$ 19,313,907	\$ 20,438,235
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	7,055,136	12,886,800

Note 1: The balances included financial assets at amortized cost, which comprise cash and cash equivalents, financial assets, notes receivable, trade receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term and long-term borrowings, short-term bills payable, trade and other payables .

- c. Financial risk management objectives and policies

The Group's main financial instruments include debt investments, notes and trade receivables, other receivables, short-term bills payable, notes and trade payables, other payables and lease liabilities. The finance department of the Group provides service to business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

1. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see Note (1) below) and interest rates (see Note (2) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

(1) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the currency USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the USD. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the functional currency strengthen 1% against the USD. For a 1% weakening of the functional currency against the USD, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	USD Impact	
	For the Year Ended	
	December 31	
	2024	2023
Profit and losses	\$ 4,496	\$ 4,788

This was mainly attributable to the exposure outstanding on USD and RMB receivables and payables, which were not hedged at the end of the reporting period.

(2) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. To manage this risk, the Group maintains an appropriate mix of fixed and floating rate borrowings. The Group periodically evaluates hedging activities, view it with interest and consistent with the established risk appetite, using hedging strategies to ensure the most cost-effective.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2024	2023
Fair value risk		
-Financial assets	\$ 6,941,991	\$ 6,076,739
-Financial liabilities	5,611,173	11,383,503
Cash flow risk		
-Financial assets	2,565,450	4,368,442

Sensitiveness analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2024 and 2023 would increase or decrease by \$25,655 thousand and \$43,684 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are audited and approved by the risk management committee annually.

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the years ended December 31, 2024 and 2023.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 93.92% and 94.37% of the total trade receivables as of December 31, 2024 and 2023, respectively.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3.Liquidity

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2024 and 2023, the Group had available unutilized short-term bank loan facilities set out in (2) below.

(1) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2024

	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,558,884	\$ 92,577	\$ -	\$ -
Lease liabilities	15,572	56,660	82,336	-
Fixed interest rate liabilities	<u>5,620,641</u>	<u>2,940</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,195,097</u>	<u>\$ 152,177</u>	<u>\$ 82,336</u>	<u>\$ -</u>

December 31, 2023

	On Demand or Less than 3 Month	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,561,049	\$ 120,970	\$ -	\$ -
Lease liabilities	12,757	51,299	89,756	-
Fixed interest rate liabilities	9,681,829	1,700,048	10,270	-
	<u>\$ 12,255,635</u>	<u>\$ 1,872,317</u>	<u>\$ 100,026</u>	<u>\$ -</u>

(2) Financing facilities

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Unsecured bank overdraft facilities, reviewed annually		
-Amounts used	\$ 5,611,173	\$ 11,383,503
-Amounts unused	19,439,554	12,206,180
	<u>\$ 25,050,727</u>	<u>\$ 23,589,683</u>

d. Transfers of financial assets

During the years ended December 31, 2024 and 2023, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of \$2,228,716 thousand and \$933,001 thousand to some of its suppliers in order to settle the trade payables. According to the contract, if these commercial acceptance bills are not paid at maturity, suppliers have the right to request that the Group pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills.

As of December 31, 2024 and 2023, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized were \$225,822 thousand and \$145,972 thousand respectively.

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2024 and 2023, the face amounts of these unsettled bills receivable were \$636,171 thousand and \$352,993 thousand. The unsettled bills receivable will be due in 12 months after December 31, 2024 and 2023. Taking into

consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the years ended December 31, 2024 and 2023, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the period or cumulatively.

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of December 31, 2024 and 2023 the face amounts of these unsettled bills receivable were \$1,325,722 thousand and \$1,514,796 thousand. The unsettled bills receivable will be due in 12 months after December 31, 2024 and 2023. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the years ended December 31, 2024 and 2023 the Group recognized financial costs \$14,450 thousand and \$2,857 thousand upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

28. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expenses between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(1) Name and relation

Name	Relation
Behealthy Electronic Technology Co., Ltd.	Substantive related parties (the responsible person of the party is the director of the Group)

(2) Operating transaction

Line Item	Related Party Category/Name	For the Year ended December 31	
		2024	2023
Sales	Substantive related parties	\$ 87	\$ 100

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.

(3) Receivables from related parties

Line Item	Related Party Category/Name	December 31	
		2024	2023
Trade Receivables	Substantive related parties	\$ <u> -</u>	\$ <u> 4</u>

No expense was recognized for the years ended of December 31, 2024 and 2023 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

(4) Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	For the Year ended December 31	
	2024	2023
Short-term employee benefits	\$ <u>208,468</u>	\$ <u>154,443</u>

The compensation to directors and other key management personnel were determined by the Remuneration Committee of Airtac in accordance with the individual performance and the market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans and the electricity tariff guarantee:

	December 31	
	2024	2023
Pledge deposits (classified as financial assets at amortized cost)	\$ 6,713	\$ 6,382
Land	-	890,359
Buildings, net	-	4,812,744
Machinery and Equipment	-	1,204,176
	\$ <u>6,713</u>	\$ <u>6,913,661</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group were as follows:

Significant commitments

- 1) As of December 31, 2024 and 2023, unused letters of credit for leasing of buildings amounted to \$2,459 thousand and \$4,137 thousand respectively.

2) Unrecognized commitments were as follows:

	December 31	
	2024	2023
Acquisition of property, plant and equipment	<u>\$ 701,347</u>	<u>\$ 1,660,559</u>

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2024

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,894	7.32 (USD: RMB)	\$ 422,715
USD	2,113	32.78 (USD: NTD)	69,271
RMB	888,969	4.48 (RMB: NTD)	3,980,802
EUR	6,990	7.62 (EUR: RMB)	238,637

Financial liabilities

Monetary items			
USD	\$ 1,288	7.32 (USD: RMB)	\$ 42,235
USD	5	32.78 (USD: NTD)	178
RMB	36,172	4.48 (RMB: NTD)	161,980
EUR	140	7.62 (EUR: RMB)	4,788

December 31, 2023

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 14,856	7.08 (USD: RMB)	\$ 455,303
USD	7,309	30.65 (USD: NTD)	223,990
RMB	1,855,179	4.33 (RMB: NTD)	8,027,360
EUR	8,294	7.85 (EUR: RMB)	281,817

Financial liabilities

Monetary items			
USD	\$ 5,457	7.08 (USD: RMB)	\$ 167,233
USD	1,086	30.65 (USD: NTD)	33,291
RMB	38,404	4.33 (RMB: NTD)	166,176
EUR	3,515	7.85 (EUR: RMB)	119,451

For the years ended in December 31, 2024 and 2023, realized and unrealized net foreign exchange gains (losses) were \$306,111 thousand and (\$113,357) thousand respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

32. DISCLOSED ITEMS

(1) Information about significant transactions and (2) investees:

1. Financing provided to others (Table 1)
2. Endorsements/guarantees provided (None)
3. Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities) (Table 3)
4. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate at costs of at least NT \$300 million or 20% of the paid-in capital (Table 5)
6. Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
7. Purchases or sales with related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
9. Derivative transactions (None)
10. Intercompany relationships and significant intercompany transactions (Table 9)

(2) Information on investees (Table 2)

(3) Information for investments in Mainland China

1. Information for any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 8)
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1 and 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related

payables at the end of the period.

- b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements/guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (4) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 10)

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Pneumatic components - direct sales
- distributors

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Revenues		Profit Before Tax	
	For the Year ended		For the Year ended	
	December 31		December 31	
	2024	2023	2024	2023
Pneumatic components				
-Direct sales	\$20,680,142	\$21,077,128	\$ 6,880,420	\$ 7,043,698
-Distributors	<u>9,979,991</u>	<u>8,750,224</u>	<u>3,320,025</u>	<u>2,924,211</u>
Total amounts of continuing operations	<u>\$30,660,133</u>	<u>\$29,827,352</u>	10,200,445	9,967,909
Interest revenue			162,362	128,627
Loss on disposal of property, plant and equipment			(86,703)	(105,788)
Loss on disposal of investment properties			(2,506)	-

	Revenues		Profit Before Tax	
	For the Year ended December 31		For the Year ended December 31	
	2024	2023	2024	2023
Gain on expropriation of land use right			77,402	-
Net exchange gains (losses)			306,111	(113,357)
Net gain arising on financial assets designated as at FVTPL			-	9,837
HQ admin. cost and directors' salaries			(896,655)	(803,213)
Finance costs			(<u>126,754</u>)	(<u>186,995</u>)
Profit before income tax from continuing operations			<u>\$ 9,633,702</u>	<u>\$ 8,897,020</u>

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the years ended December 31, 2024 and 2023.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets

	December 31	
	2024	2023
<u>Segment assets</u>		
Pneumatic components		
-Direct sales	\$38,997,165	\$40,788,974
-Distributors	<u>18,349,898</u>	<u>16,929,005</u>
Total segment total assets	57,347,063	57,717,979
Unallocated assets	<u>213,745</u>	<u>330,786</u>
Consolidated total assets	<u>\$57,560,808</u>	<u>\$58,048,765</u>

For the purpose of monitoring segment performance and allocating resources between segments:

All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Goodwill was allocated to reportable segments. Assets used jointly by reportable segments were allocated on the basis of the revenues earned by individual reportable segments.

TABLE 1

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS FOR THE YEAR ENDED DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (ITALIA) S.R.L	Other receivables	Yes	EUR 9,000 (NTD 307,258)	EUR 9,000 (NTD 307,258)	EUR 4,400 (NTD 150,215)	-	Short-term financing needs	\$ -	Revolving fund	\$ -	-	-	\$ 19,157,067	\$ 19,157,067	Note 2
	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Other receivables	Yes	USD 20,000 (NTD 655,696)	USD 10,000 (NTD 327,848)	USD - (NTD -)	-	Short-term financing needs	-	Revolving fund	-	-	-	19,157,067	19,157,067	Note 2
	Airtac International Group	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Other receivables	Yes	USD 1,000 (NTD 32,785)	USD - (NTD -)	USD - (NTD -)	-	Short-term financing needs	-	Revolving fund	-	-	-	19,157,067	19,157,067	Note 2
	Airtac International Group	Airtac Co., Ltd.	Other receivables	Yes	USD 9,000 (NTD 295,063)	USD 9,000 (NTD 295,063)	USD 5,658 (NTD 185,497)	-	Short-term financing needs	-	Revolving fund	-	-	-	19,157,067	19,157,067	Note 2
	Airtac International Group	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Other receivables	Yes	USD 5,500 (NTD 180,316)	USD 3,500 (NTD 114,747)	USD 1,500 (NTD 49,177)	-	Short-term financing needs	-	Revolving fund	-	-	-	19,157,067	19,157,067	Note 2
	Airtac International Group	AIRTAC_USA CORPORATION	Other receivables	Yes	USD 17,000 (NTD 557,342)	USD 17,000 (NTD 557,342)	USD 10,000 (NTD 327,848)	-	Short-term financing needs	-	Revolving fund	-	-	-	19,157,067	19,157,067	Note 2
1	Airtac Enterprise Co., Ltd.	Airtac International Group Taiwan Branch	Other receivables	Yes	TWD 10,000	TWD -	TWD -	-	Short-term financing needs	-	Revolving fund	-	-	-	9,890	9,890	Note 3

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2024, that is, 1USD=32.7848, 1EUR=34.1398 NTD.

Note 2: According to Company’s Loans to Others Procedure, the limits on fincancing provided to others is 40% of the Group’s net worth at the end of the period.

TABLE 2

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTEEES

FOR THE YEAR ENDED DECEMBER 31, 2024

(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		December 31, 2024			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2024 (Note1)	December 31, 2023 (Note1)	Shares	%	Carrying Amount			
Airtac International Group	Airtac Industrial (Hong Kong) Limited	Hong Kong	General investment	USD 87,500 RMB 537,500 (NTD 5,275,595)	USD 87,500 RMB 537,500 (NTD 5,275,595)	167,426,238	100	\$ 38,774,157	\$ 7,102,895	\$ 7,102,895	2
	Airtac Trading (Hong Kong) Limited	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,133	2	2	2
	INSTANT REACH INTERNATIONAL LIMITED	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 187,353)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 187,353)	1	100	84,603	(35,049)	(35,049)	2
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Singapore	General investment	USD 12,000 (NTD 393,418)	USD 17,000 (NTD 557,342)	12,000,000	100	(154,850)	(61,704)	(61,704)	2
	Airtac Enterprise Co., Ltd.	Taiwan	Processing, sales and import/export of machines and components	NTD 54,581	NTD 54,581	69,435	69.44	18,274	(1,304)	-	4
	ATC (ITALIA) S.R.L	Italy	Production and sales of pneumatic and hydraulic control components	EUR 4,000 (NTD 136,559)	EUR 4,000 (NTD 136,559)	4,000,000	100	40,709	(34,076)	-	4
	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Singapore	Production and sales of pneumatic control components and accessories	USD 7,500 (NTD 245,886)	USD 12,500 (NTD 409,810)	7,500,000	100	170,193	5,575	-	4
	Airtac Co., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 20,580)	JPY 98,000 (NTD 20,580)	2,000	100	(102,473)	(17,648)	-	4
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 98,354)	USD 3,000 (NTD 98,354)	3,000	100	(232,025)	(51,517)	-	4
	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Malaysia	Production and sales of pneumatic control components and accessories	MYR 1,000 (NTD 7,065)	MYR 1,000 (NTD 7,065)	1,000,000	100	(8,842)	13,590	-	4
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Airtac Industrial Co. Ltd.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 96,390)	THB 100,000 (NTD 96,390)	1,000,000	100	144,591	13,332	-	4

Note1: Conversion to NTD used the spot exchange rate on December 31, 2024, that is, 1USD=32.7848 NTD , 1EUR=34.1398 NTD , 1JPY=0.2100 NTD , 1RMB= 4.4780 NTD , 1MYR=7.0651 NTD , THB=0.9639 NTD.

Note2: The amount was eliminated upon consolidation.

Note3: Please refer to Table 8 for information on investment in mainland China.

Note4: The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

TABLE 3

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2024				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Ningbo Airtac Automatic Industrial Co., Ltd.	Negotiable Certificates of Deposit	-	Financial assets at amortized cost – non-current	-	\$ 459,475 (RMB 102,607)	-	\$ 495,475 (RMB 102,607)	1
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	897,971 (RMB 200,529)	-	897,971 (RMB 200,529)	1
Airtac (China) Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	493,364 (RMB 110,175)	-	493,364 (RMB 110,175)	1
Airtac (China) Co., Ltd.	Negotiable Certificates of Deposit	-	Financial assets at amortized cost – non-current	-	461,910 (RMB 103,151)	-	461,910 (RMB 103,151)	1

Note1 : Conversion to NTD used the spot exchange rate on December 31, 2024, that is, 1 RMB=4.4780 NTD.

TABLE 4

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2024
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition (Note 1)		Disposal (Note 1)				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Ningbo Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 672,309 (RMB 150,136)	-	\$ - (RMB -)	-	\$ 672,815 (RMB 150,249)	\$ 671,700 (RMB 150,000)	\$ 1,115 (RMB 249)	-	\$ - (RMB -)
Ningbo Airtac Automatic Industrial Co., Ltd.	Negotiable Certificate of Deposit	Financial assets at amortized cost – non-current	Fubon Bank (China)	-	-	- (RMB -)	-	447,800 (RMB 100,000)	-	- (RMB -)	- (RMB -)	- (RMB -)	-	459,475 (RMB 102,607)
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	- (RMB -)	-	2,350,950 (RMB 525,000)	-	1,461,176 (RMB 326,301)	1,455,350 (RMB 325,000)	5,826 (RMB 1,301)	-	897,971 (RMB 200,529)
Airtac (China) Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	224,043 (RMB 50,032)	-	1,701,640 (RMB 380,000)	-	1,440,393 (RMB 321,660)	1,432,960 (RMB 320,000)	7,433 (RMB 1,660)	-	493,364 (RMB 110,175)

Note 1: Conversion to NTD used the spot exchange rate on December 31, 2024, that is 1 RMB= 4.4780 NTD.

TABLE 5

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

ACQUISITION OF REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2024
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Acquiring company	Title of property	Transaction date or occurrence date	Transaction amount	Payment	Counterparty	Relationship	Where the counterparty is a related party, the previous transfer information				Pricing reference and basis	Purpose of acquisition and use	Other agreements
							Owner	Relationship with issuer	Date of transfer	Amount			
Ningbo Airtac Automatic Industrial Co., Ltd.	Plant	2020.09.08-2024.12.31	\$ 3,329,896	\$ 2,926,689	Self-building	-	-	-	-	\$ -	N/A	Manufacturing, research and development purpose	-
Airtac (Shandong) Automatic Industrial Co., Ltd.	Research base and logistics centers	2024.05.06-2024.12.31	473,939	456,983	Jinan Tysen Industrial Park Development Co., Ltd. and 10 other companies	-	-	-	-	-	N/A	Office and logistics purpose	-

TABLE 6

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2024

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Term	Unit Price (Note)	Payment Terms (Note)	Balance	% to Total	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	Sales	\$ 5,937,086	23	T/T 60 days	\$ -	-	\$ 1,194,979	20	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	Sales	518,760	2	T/T 60 days	-	-	142,834	2	
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	574,485	2	T/T 60 days	-	-	116,723	2	
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	7,306,806	29	T/T 60 days	-	-	2,426,416	41	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	The same parent company	Sales	107,741	-	T/T 60 days	-	-	13,455	-	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	The same parent company	Sales	798,250	3	T/T 60 days	-	-	134,090	2	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	Sales	7,040,957	28	T/T 60 days	-	-	924,543	16	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Shandong) Automatic Industrial Co., Ltd.	The same parent company	Sales	2,509,186	10	T/T 60 days	-	-	827,534	14	
Ningbo Airtac Automatic Industrial Co., Ltd.	ATC (ITALIA) S.R.L	The same parent company	Sales	205,285	1	T/T 60 days	-	-	62,553	1	
Ningbo Airtac Automatic Industrial Co., Ltd.	AIRTAC USA CORPORATION	The same parent company	Sales	136,280	1	T/T 60 days	-	-	48,247	1	
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	1,243,103	33	T/T 180 days	-	-	238,407	21	
Guangdong Airtac Automatic Industrial Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	2,342,336	63	T/T 180 days	-	-	870,061	76	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	3,290,681	79	T/T 180 days	-	-	311,630	58	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	1,247,988	13	T/T 60 days	-	-	563,585	24	

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to the third parties.

TABLE 7

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2024

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	\$ 116,723	5	-	-	\$ 116,723	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	1,194,979	6	-	-	749,420	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The same parent company	142,834	4	-	-	-	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	2,426,416	3	-	-	667,634	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automation Co., Ltd.	The same parent company	924,543	12	-	-	771,201	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Shandong) Automatic Industrial Co., Ltd.	The same parent company	827,534	5	-	-	208,303	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	The same parent company	134,090	8	-	-	92,341	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	238,407	3	-	-	238,407	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	The same parent company	870,061	2	-	-	230,044	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	311,630	4	-	-	-	-
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	563,585	3	-	-	150,685	-
Airtac International Group	ATC (ITALIA) S.R.L	Subsidiary	150,215	Note 1	-	-	-	-
Airtac International Group	Airtac Co., Ltd.	Subsidiary	185,497	Note 1	-	-	-	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	327,848	Note 1	-	-	-	-

Note: The financial statement account is other receivables. Therefore, there is no turnover rate.

TABLE 8

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INFORMATION FOR INVESTMENTS IN MAINLAND CHINA

FOR THE YEAR ENDED DECEMBER 31, 2024

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 2)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2024	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of December 31, 2024	Net income of Investee Company	% of Ownership – Direct or Indirect investment	Investment Gain (Loss) Recognized for the Period (Note 2)	Carrying Amount as of December 31, 2024	Accumulated Inward Remittance of Earnings as of December 31, 2024	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd.	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 785,500 (NTD 5,222,279)	N/A	N/A	\$ -	\$ -	N/A	\$ 5,359,994	100	\$ 5,321,522	\$ 29,449,757	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd.	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 196,709)	N/A	N/A	-	-	N/A	988,831	100	988,286	3,506,363	N/A	
Airtac (China) Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 18,000 RMB 126,000 (NTD 1,154,354)	N/A	N/A	-	-	N/A	834,250	100	834,250	4,371,727	N/A	
Airtac (Jiangsu) Automation Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 269,455 (NTD 1,255,796)	N/A	N/A	-	-	N/A	287,996	100	287,996	1,686,760	N/A	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,780)	N/A	N/A	-	-	N/A	348,178	100	348,178	417,402	N/A	
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,780)	N/A	N/A	-	-	N/A	11,605	100	11,605	78,752	N/A	
Airtac (Fujian) Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,780)	N/A	N/A	-	-	N/A	61,245	100	61,245	128,710	N/A	
Airtac (Shandong) Automatic Industrial Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 30,000 (NTD 134,340)	N/A	N/A	-	-	N/A	81,771	100	81,771	217,272	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A	N/A	N/A

Note 1: The ways to invest in companies in Mainland China are classified into three types below. Mark the type of investment:

1. Direct investment in China.
2. Investment in China through a company registered in the third region.
3. Other ways.

Note 2: The amount was calculated based on financial statements audited by a multinational accounting firm having a cooperative relationship with an accounting firm in Taiwan.

Note 3: Conversion to NTD used the spot exchange rate on December 31, 2024, that is, 1 USD=32.7848 NTD, 1 RMB=4.4780 NTD.

TABLE 9

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE YEARS ENDED DECEMBER 31, 2024

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	1	Trade receivables	\$ 311,630	General terms and conditions	1%
		Ningbo Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	3,290,681	General terms and conditions	11%
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	59,653	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Sales revenue	13,648	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Other receivable	150,215	Finance	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1	Other receivable	49,177	Finance	-
		AIRTAC USA CORPORATION	1	Other receivable	327,848	Finance	1%
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac Co., Ltd.	1	Other receivable	185,497	Finance	-
		Airtac International Group	2	Trade receivables	142,834	General terms and conditions	-
		Airtac International Group	2	Sales revenue	518,760	General terms and conditions	2%
		Airtac (China) Co., Ltd	3	Trade receivables	1,194,979	General terms and conditions	2%
		Airtac (China) Co., Ltd	3	Sales revenue	5,937,086	General terms and conditions	19%
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	116,723	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	574,485	General terms and conditions	2%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Trade receivables	924,543	General terms and conditions	2%
		Airtac (Jiangsu) Automation Co., Ltd.	3	Sales revenue	7,040,957	General terms and conditions	23%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	2,426,416	General terms and conditions	4%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	7,306,806	General terms and conditions	24%
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Trade receivables	13,455	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Sales revenue	107,741	General terms and conditions	-
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Trade receivables	134,090	General terms and conditions	-
		Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	798,250	General terms and conditions	3%
		Airtac (Shandong) Automatic Industrial Co., Ltd.	3	Trade receivables	824,534	General terms and conditions	1%
		Airtac (Shandong) Automatic Industrial Co., Ltd.	3	Sales revenue	2,509,186	General terms and conditions	8%
		ATC (ITALIA) S.R.L	3	Trade receivables	62,553	General terms and conditions	1%
		ATC (ITALIA) S.R.L	3	Sales revenue	205,285	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Sales revenue	19,152	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
2	Guangdong Airtac Automatic Industrial Co., Ltd.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Trade receivables	52,739	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	48,247	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	136,280	General terms and conditions	-
		AIRTAC INDUSTRIAL CO., LTD.	3	Trade receivables	35,731	General terms and conditions	-
		AIRTAC INDUSTRIAL CO., LTD.	3	Sales revenue	74,943	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	26,126	General terms and conditions	-
		Airtac International Group	2	Trade receivables	12,148	General terms and conditions	-
		Airtac International Group	2	Sales revenue	50,768	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	870,061	General terms and conditions	2%
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	2,342,336	General terms and conditions	8%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	238,407	General terms and conditions	-
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	1,243,103	General terms and conditions	4%
		ATC (ITALIA) S.R.L	3	Sales revenue	35,568	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	17,055	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	59,590	General terms and conditions	-
3	Airtac (China) Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	16,716	General terms and conditions	-
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	3	Trade receivables	563,585	General terms and conditions	1%
		Airtac (China) Co., Ltd.	3	Sales revenue	1,247,988	General terms and conditions	4%
5	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Airtac (China) Co., Ltd.	3	Other receivables	28,550	General terms and conditions	-
6	Airtac Co., Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	13,679	General terms and conditions	-

Note : No 1. Represents the transactions from parent company to subsidiary.

No 2. Represents the transactions from subsidiary to parent company.

No 3. Represents the transactions from subsidiary to subsidiary.

Table 10

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES
INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2024

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Ding Kan Investment Ltd.	26,326,227	13.16%
YHZ Ltd.	10,828,142	5.41%
Express Brilliant Ltd.	10,350,000	5.17%

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation . In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.