CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2024 AND 2023

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CHIEFTEK PRECISION CO., LTD.
DECEMBER 31, 2024 AND 2023 CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2024, pursuant to Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the companies that are required to be included in the consolidated financial statements of affiliates, are the same as those required to be included in the consolidated financial statements under International Financial Reporting Standards 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. As a result, CHIEFTEK PRECISION CO., LTD. and subsidiaries are not required to prepare consolidated financial statements of affiliates.

Hereby declare,

CHIEFTEK PRECISION CO., LTD.

February 26, 2025

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of CHIEFTEK PRECISION CO., LTD.

Opinion

We have audited the accompanying consolidated balance sheets of CHIEFTEK PRECISION CO., LTD. and its subsidiaries (collectively referred herein as the "Group") as of December 31, 2024 and 2023, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material 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 the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of 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 Group's 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2024 consolidated financial statements are stated as follows:

Adequacy of allowance for valuation loss on recognized obsolete or damaged inventories

Description

Refer to Note 4(12) for the accounting policy on inventory, Note 5 for the information on accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for the details of inventory.

The Group is primarily engaged in the manufacture and sales of linear guides and linear blocks. As the end-users require high-quality performances, there is a risk of inventory devaluation or obsolescence. The Group measures its inventories at the lower of cost and net realizable value. The net realizable value of the Group's inventories aged over a certain period is calculated based on the historical extent of inventory clearance and degree of price markdown. The allowance for valuation loss mainly arises from individually identified obsolete inventories, and the procedures for such identification involves subjective judgment, which might result in high degree of estimation uncertainty. Considering that the Group's inventory and the allowance for inventory valuation losses are material to the financial statements, we considered the allowance for inventory valuation loss as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

A. We obtained an understanding of the Group's operations and its industry characteristics to assess the reasonableness of the Group's policies on and procedures for allowance for inventory valuation loss.

B. We sampled and tested the accuracy and completeness of information in the inventory aging reports, and recalculated to confirm whether the information in the reports were consistent with the Group's inventory policies.

C. We sampled and tested the computation of net realizable value of individual inventory items and compared with account records.

Cut-off of operating revenue from export sales

Description

Refer to Note 4(26) for the accounting policy on revenue recognition and Note 6(16) for the details of operating revenue.

The Group sells a variety of linear guides, ball screws and linear modules with a global target market, including Taiwan, Asia, Europe, America and so forth. The customers are numerous and located in different countries and the number of transactions is voluminous. The recognition of operating revenue from export sales requires that the products are delivered to the customer and the customer has full discretion over the products. The determination as to when products are transferred to customers involves manual process and judgement and the transaction amounts are usually material. Thus, we considered the cut-off of operating revenue from export sales as one of the key audit matters.

How our audit addressed the matter

We performed the following audit procedures in response to the abovementioned key audit matter:

A. We obtained an understanding and assessed the accounting policy on revenue recognition.

B. We obtained an understanding and assessed internal control over revenue recognition, tested the effectiveness of internal controls over the shipment of goods and verified the timing of revenue recognition.

C. We performed cut-off tests on export sales transactions that were completed just before and after the balance sheet date to confirm whether control of goods was indeed transferred to customers for all recognized sales revenues, and that revenues were recorded for the appropriate period.

Other matter - Parent company only financial statements

We have audited and expressed an unmodified opinion on the parent company only financial statements of CHIEFTEK PRECISION CO., LTD. as of and for the years ended December 31, 2024 and 2023.

Responsibilities of management and those charged with governance for the parent company only 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 the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations Committee Interpretations, and Standing Interpretations Committee Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 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 Standards on Auditing of 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 taken on the basis of these consolidated financial statements.

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

A. 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.

B. 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.

C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

D. 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.

E. 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.

F. Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the 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 parent company only financial statements of the current period 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.

Yeh, Fang-Ting

Independent Accountants

Tien, Chung-Yu

PricewaterhouseCoopers, Taiwan
Republic of China
February 26, 2025

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2024 AMOUNT	%	December 31, 2023 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 864,632	21	$ 834,093	21
1136	Financial assets at amortized cost - current	6(2) and 8	119,762	3	32,639	1
1150	Notes receivable, net	6(4)	18,304	-	15,656	-
1170	Accounts receivable, net	6(4) and 12	229,826	6	224,709	6
1200	Other receivables		6,077	-	2,960	-
1220	Current income tax assets	6(23)	11,302	-	-	-
130X	Inventories	5 and 6(5)	641,086	15	647,192	16
1410	Prepayments		25,904	1	57,739	2
1470	Other current assets		26	-	-	-
11XX	**Total current assets**		1,916,919	46	1,814,988	46
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(3)	48,792	1	-	-
1600	Property, plant and equipment	6(6) and 8	1,954,502	47	1,942,263	49
1755	Right-of-use assets	6(7)	81,348	2	77,470	2
1780	Intangible assets	6(8)	55,161	2	63,322	2
1840	Deferred income tax assets	6(23)	36,694	1	34,967	1
1915	Prepayments for equipment	6(6)	51,024	1	7,377	-
1920	Guarantee deposits paid		11,786	-	12,099	-
1990	Other non-current assets		3,701	-	2,498	-
15XX	**Total non-current assets**		2,243,008	54	2,139,996	54
1XXX	**Total assets**		$ 4,159,927	100	$ 3,954,984	100

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CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2024 AMOUNT	%	December 31, 2023 AMOUNT	%
	Liabilities					
	Current liabilities					
2100	Short-term borrowings	6(9) and 8	$ 160,000	4	$ 365,000	9
2130	Current contract liabilities	6(16)	3,259	-	440	-
2150	Notes payable		62,338	1	41,913	1
2170	Accounts payable		33,036	1	17,975	1
2200	Other payables	6(10)	118,386	3	112,141	3
2230	Current income tax liabilities	6(23)	1,144	-	29,880	1
2280	Current lease liabilities	6(7)	4,134	-	3,674	-
2320	Long-term liabilities, current portion	6(11), 8 and 9	295,886	7	81,259	2
21XX	**Total current liabilities**		678,183	16	652,282	17
	Non-current liabilities					
2540	Long-term borrowings	6(11), 8 and 9	969,996	23	846,915	21
2570	Deferred income tax liabilities	6(23)	30,423	1	24,505	1
2580	Non-current lease liabilities	6(7)	82,931	2	78,778	2
2640	Non-current net defined benefit liabilities	6(12)	6,578	-	8,936	-
25XX	**Total non-current liabilities**		1,089,928	26	959,134	24
2XXX	**Total liabilities**		1,768,111	42	1,611,416	41
	Equity					
	Share capital	6(13)				
3110	Common stock		892,619	22	892,619	23
	Capital reserves	6(14)				
3200	Capital surplus		446,121	11	446,121	11
	Retained earnings	6(15)				
3310	Legal reserve		257,422	6	247,879	6
3320	Special reserve		25,061	1	24,491	1
3350	Unappropriated retained earnings		920,644	22	905,089	23
3400	Other equity interest		(2,481)	-	(25,061)	(1)
3500	Treasury stocks	6(13)	(147,570)	(4)	(147,570)	(4)
3XXX	**Total equity**		2,391,816	58	2,343,568	59
	Significant Contingent Liabilities and Unrecognized Contract Commitments	9				
3X2X	**Total liabilities and equity**		$ 4,159,927	100	$ 3,954,984	100

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			Year ended December 31			
			2024		2023	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16)	$ 1,036,581	100	$ 1,074,754	100
5000	Operating costs	6(5)(12)(21)(22)	(612,422)	(59)	(606,107)	(56)
5900	Net operating margin		424,159	41	468,647	44
	Operating expenses	6(8)(12)(21)(22), 7 and 12				
6100	Selling expenses		(105,060)	(10)	(121,824)	(11)
6200	General and administrative expenses		(147,944)	(14)	(152,673)	(14)
6300	Research and development expenses		(75,829)	(8)	(72,493)	(7)
6450	Expected credit impairment loss		(349)	-	(4,075)	(1)
6000	Total operating expenses		(329,182)	(32)	(351,065)	(33)
6900	Operating profit		94,977	9	117,582	11
	Non-operating income and expenses					
7100	Interest income	6(2)(17)	10,212	1	8,121	-
7010	Other income	6(18)	12,115	1	9,187	1
7020	Other gains and losses	6(3)(19) and 12	25,519	2	19,403	2
7050	Finance costs	6(6)(7)(20)	(24,868)	(2)	(11,313)	(1)
7000	Total non-operating income and expenses		22,978	2	25,398	2
7900	**Profit before income tax**		117,955	11	142,980	13
7950	Income tax expense	6(23)	(24,142)	(2)	(44,938)	(4)
8200	**Profit for the year**		$ 93,813	9	$ 98,042	9
	Other comprehensive income (loss) (Net)					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Actuarial gain (loss) on defined benefit plans	6(12)	$ 2,080	-	($ 3,263)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(416)	-	653	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		22,580	2	(570)	-
8300	**Total other comprehensive income (loss) for the year**		$ 24,244	2	($ 3,180)	-
8500	**Total comprehensive income for the year**		$ 118,057	11	$ 94,862	9
	Earnings per share (in dollars)	6(24)				
9750	Basic		$	1.08	$	1.12
9850	Diluted		$	1.07	$	1.12

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other Equity Interest		
	Notes	Share capital - common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury stocks	Total equity
2023									
Balance at January 1, 2023		$ 892,619	$ 446,121	$ 213,096	$ 50,626	$ 992,829	($ 24,491)	($ 147,570)	$ 2,423,230
Profit for the year		-	-	-	-	98,042	-	-	98,042
Other comprehensive loss for the year		-	-	-	-	(2,610)	(570)	-	(3,180)
Total comprehensive income (loss) for the year		-	-	-	-	95,432	(570)	-	94,862
Appropriations of 2022 earnings:									
Legal reserve		-	-	34,783	-	(34,783)	-	-	-
Cash dividends	6(15)	-	-	-	-	(174,524)	-	-	(174,524)
Reversal of special reserve		-	-	-	(26,135)	26,135	-	-	-
Balance at December 31, 2023		$ 892,619	$ 446,121	$ 247,879	$ 24,491	$ 905,089	($ 25,061)	($ 147,570)	$ 2,343,568
2024									
Balance at January 1, 2024		$ 892,619	$ 446,121	$ 247,879	$ 24,491	$ 905,089	($ 25,061)	($ 147,570)	$ 2,343,568
Profit for the year		-	-	-	-	93,813	-	-	93,813
Other comprehensive income for the year		-	-	-	-	1,664	22,580	-	24,244
Total comprehensive income for the year		-	-	-	-	95,477	22,580	-	118,057
Appropriations of 2023 earnings:									
Legal reserve		-	-	9,543	-	(9,543)	-	-	-
Special reserve		-	-	-	570	(570)	-	-	-
Cash dividends	6(15)	-	-	-	-	(69,809)	-	-	(69,809)
Balance at December 31, 2024		$ 892,619	$ 446,121	$ 257,422	$ 25,061	$ 920,644	($ 2,481)	($ 147,570)	$ 2,391,816

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 117,955	$ 142,980
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on valuation of financial assets at fair value through profit or loss	6(3)(19)	1,208	-
Expected credit impairment loss	12	349	4,075
Loss on inventory market price decline	6(5)	12,545	1,840
Depreciation	6(6)(7)(21)	66,154	69,746
Loss on disposal of property, plant and equipment	6(19)	42	-
Amortization	6(8)(21)	10,304	10,094
Interest income	6(17)	(10,212)	(8,121)
Interest expense	6(20)	24,868	11,313
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(2,648)	(1,726)
Accounts receivable		(6,054)	53,294
Other receivables		(3,117)	2,309
Inventories		(7,452)	(13,977)
Prepayments		31,835	(1,944)
Other current assets		(26)	-
Changes in operating liabilities			
Current contract liabilities		2,819	(224)
Notes payable		21,788	(97,243)
Accounts payable		15,061	(28,550)
Other payables		5,541	(53,539)
Non-current net defined benefit liabilities		(278)	(272)
Cash inflow generated from operations		280,682	90,055
Interest received		10,212	8,121
Interest paid		(24,685)	(10,257)
Income tax paid		(60,405)	(108,976)
Net cash flows from (used in) operating activities		205,804	(21,057)

(Continued)

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2024	2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at amortized cost - current		($ 87,123)	($ 15,893)
Acquisition of financial assets at fair value through profit or loss - non-current		(50,000)	-
Cash paid for acquisition of property, plant and equipment	6(25)	(50,345)	(101,088)
Interest paid for acquisition of property, plant and equipment	6(6)(20)(25)	(7,298)	(13,687)
Acquisition of intangible assets	6(8)	(2,140)	(2,330)
Increase in prepayments for equipment		(49,356)	(39,576)
Decrease (increase) in guarantee deposits paid		313	(2,748)
(Increase) decrease in other non-current assets		(1,203)	997
Net cash flows used in investing activities		(247,152)	(174,325)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(26)	810,000	1,116,900
Decrease in short-term borrowings	6(26)	(1,015,000)	(976,900)
Payments of lease liability	6(26)	(4,061)	(3,609)
Increase in long-term borrowings	6(26)	982,588	421,392
Decrease in long-term borrowings	6(26)	(651,008)	(277,341)
Payments of cash dividends	6(15)	(69,809)	(174,524)
Net cash flows from financing activities		52,710	105,918
Effect of foreign exchange rate changes on cash and cash equivalents		19,177	(661)
Net increase (decrease) in cash and cash equivalents		30,539	(90,125)
Cash and cash equivalents at beginning of year	6(1)	834,093	924,218
Cash and cash equivalents at end of year	6(1)	$ 864,632	$ 834,093

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

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) CHIEFTEK PRECISION CO., LTD. (the "Company") was incorporated on October 19, 1998 as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) and other related regulations. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research, development, manufacture and sales of miniature linear guides, miniature ball screws, miniature linear modules, electro-optics equipment and semiconductor process equipment.

(2) The common stocks of the Company were originally listed on the Taipei Exchange from December 28, 2012, and have been authorized to trade in Taiwan Stock Exchange since December 23, 2020.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on February 26, 2025.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS®") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and became effective from 2024 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board ("IASB")
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRS Accounting Standards as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by IASB
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, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 18, 'Presentation and disclosure in financial statements':

IFRS 18 replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, IFRIC® Interpretations, and SIC® Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5, 'Critical accounting judgments, estimates and key sources of assumption uncertainty'.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Business activities	December 31, 2024	December 31, 2023	Note
CHIEFTEK PRECISION CO., LTD. (“CHIEFTEK PRECISION”)	CHIEFTEK PRECISION HOLDING CO., LTD.	Professional investment	100	100	-
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION INTERNATIONAL LLC	Lease of real estate property	100	100	-
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION USA CO., LTD. (“cpc USA”)	Sales of high precision linear motion components and rendering after-sales service	100	100	-
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH (“cpc Europa”)	Sales of high precision linear motion components and rendering after-sales service	100	100	-

Name of investor	Name of subsidiary	Business activities	Ownership (%) December 31, 2024	Ownership (%) December 31, 2023	Note
CHIEFTEK PRECISION HOLDING CO., LTD.	Chieftek Machinery (Kunshan) Co., Ltd. ("Chieftek (Kunshan)")	Production, processing and sales of high precision linear motion components and after-sales service	100	100	-

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within 12 months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than 12 months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within 12 months from the balance sheet date;

(d) It does not have the right at the end of the reporting period to defer settlement of the liability at least 12 months after the reporting period.

(6) Cash equivalents

A. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

B. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured as financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses ("ECLs") if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expires.

(12) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. When the cost of inventory is lower than net realizable value, a write-down is provided and recognized in operating costs. If the circumstances that caused the write-down cease to exist, such that all or part of the write-down is no longer needed, it should be reversed to that extent and recognized as deduction of operating costs.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Assets	Useful lives
Buildings and structures	2 ～ 50 years
Machinery and equipment	2 ～ 15 years
Transportation equipment	2 ～ 8 years
Office equipment	2 ～ 7 years
Leasehold improvements	3 ～ 15 years
Other equipment	2 ～ 10 years

(14) Leasing arrangements (lessee) — right-of-use assets/lease liabilities

A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Amounts expected to be payable by the lessee under residual value guarantees.

The Group subsequently measures the lease liability at amortized cost using the interest method and recognizes interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability; and

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

D. For lease modifications that decrease the scope of the lease, the lessee shall remeasure the lease liability. The lessee shall also decrease the carrying amount of right-of-use assets to reflect the partial or full termination of the lease, and recognize the difference in profit or loss.

(15) Intangible assets

A. Trademarks and patents

Separately acquired trademarks of corporate identity system and patents are stated initially at cost. Trademarks and patents have a finite useful life and are amortized on a straight-line basis over their estimated useful lives of 10 to 20 years.

B. Computer software

Computer software is stated initially at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

C. Turn-key professional technique

The subsidiary, CSM Maschinen GmbH, which has been merged into cpc Europa GmbH with the approval of the local authority since 2020, was commissioned by the Company to develop and design linear guide, robotic arm and equipment for exhibition which are stated initially at cost and amortized over the economic life of Turn-key professional technique of 10 years.

D. Other intangible assets

Technology contribution is stated initially at cost, and regarded as having an indefinite useful life as it is assessed to generate continuous net cash inflow in the foreseeable future. Technology contribution is not amortized, but is tested annually for impairment.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(17) Borrowings

A. Borrowings comprise long-term and short-term banks loans. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

B. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as other non-current assets for liquidity services and amortized over the period of the facility to which it relates.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans is recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is distributed by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) <u>Employee share-based payment</u>

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. When treasury stocks are transferred to employees, the granted date is the date that subscription price and number of treasury stocks transferred to employees are resolved by the Board of Directors.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(24) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is resolved from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

Cash dividends are recorded as liabilities in the Company's financial statements in the period in which they are resolved by the Board of Directors. Stock dividends are recorded as stock dividends to be distributed in which they are resolved by the Company's shareholders, and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

Sales of goods

A. The Group manufactures and sells linear guide, ball screw and linear modules. Sales are recognized when control of the products has been transferred, being when the products are delivered to the external customer, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Sales revenue is recognized based on the contract price, net of output tax and sales returns and discounts. The sales are made with a credit term of 30 ~ 180 days after monthly closing. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

C. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Government grants

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

A. As inventories are stated at the lower of cost and net realizable value, the Group must determine the net realizable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realizable value. Such an evaluation of inventories is calculated based on the inventory clearance and historical data of discounts. Therefore, there might be material changes to the evaluation.

B. As of December 31, 2024, the carrying amount of inventories was $641,086.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash:		
Cash on hand	$ 1,781	$ 1,506
Checking accounts and demand deposits	762,851	769,734
	764,632	771,240
Cash Equivalents:		
Time deposits	100,000	62,853
	$ 864,632	$ 834,093

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others as of December 31, 2024 and 2023.

(2) Financial assets at amortized cost - current

	December 31, 2024	December 31, 2023
Restricted time deposits	$ 8,700	$ 8,700
Time deposits with maturity of over 3 months	111,062	23,939
	$ 119,762	$ 32,639

A. The Group recognized interest income of $2,873 and $682 from financial assets at amortized cost for the years ended December 31, 2024 and 2023, respectively, shown as part of "Interest income".

B. As of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortized cost held by the Group was its book value.

C. For more information about the Group's time deposits pledged to others as collateral as of December 31, 2024 and 2023, refer to Note 8, 'Pledged assets'.

D. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2), 'Financial instruments'. The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Financial assets at fair value through profit or loss - non-current

	December 31, 2024
Financial assets mandatorily measured at fair value through profit or loss	
Unlisted stocks	$ 50,000
Valuation adjustment	(1,208)
	$ 48,792

There was no such situation as of December 31, 2023.

A. The Group recognized net loss of $1,208 on financial assets at fair value through profit or loss (listed as "Other gains and losses") for the year ended December 31, 2024.

B. The Group has no financial assets at fair value through profit or loss pledged to others as of December 31, 2024.

(4) Notes and accounts receivable, net

	December 31, 2024	December 31, 2023
Notes receivable	$ 18,304	$ 15,656

	December 31, 2024	December 31, 2023
Accounts receivable	$ 250,894	$ 244,840
Less: Allowance for doubtful accounts	(21,068)	(20,131)
	$ 229,826	$ 224,709

A. The ageing analysis of the Group's notes and accounts receivable is as follows:

	December 31, 2024		December 31, 2023	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	$ 17,349	$ 178,085	$ 15,483	$ 178,761
Up to 30 days	-	19,461	-	12,914
31 to 90 days	776	30,019	-	24,592
91 to 180 days	-	5,536	-	10,969
181 to 365 days	-	3,022	-	4,183
Over 365 days	179	14,771	173	13,421
	$ 18,304	$ 250,894	$ 15,656	$ 244,840

The above ageing analysis was based on past due date.

B. The Group's notes receivable and accounts receivable were all from contracts with customers. As of January 1, 2023, the balances of notes receivable and accounts receivable from contracts with customers amounted to $312,064.

C. Without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was its book value.

D. As of December 31, 2024 and 2023, the Group does not hold any collateral as security for accounts receivable.

E. Information relating to credit risk is provided in Note 12(2), 'Financial instruments'.

(5) Inventories

	December 31, 2024		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 68,378	($ 7,278)	$ 61,100
Supplies	74,255	(24,063)	50,192
Work in process	306,632	(22,342)	284,290
Finished goods	285,791	(40,287)	245,504
	$ 735,056	($ 93,970)	$ 641,086

	December 31, 2023		
	Cost	Allowance for market price decline	Book value
Raw materials	$ 46,872	($ 5,300)	$ 41,572
Supplies	74,862	(18,712)	56,150
Work in process	317,360	(23,261)	294,099
Finished goods	288,510	(33,139)	255,371
	$ 727,604	($ 80,412)	$ 647,192

The cost of inventories recognized as expense for the year:

	For the years ended December 31,	
	2024	2023
Cost of goods sold	$ 599,403	$ 604,871
Loss on inventory market price decline	12,545	1,840
Loss on physical inventory	747	8
Revenue from sale of scraps	(273)	(612)
	$ 612,422	$ 606,107

(6) Property, plant and equipment

At January 1, 2024	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 401,691	$ 773,878	$ 965,344	$ 4,535	$ 24,710	$ 179,440	$ 922,224	$ 3,271,822
Accumulated depreciation	-	(234,967)	(900,786)	(3,836)	(23,144)	(166,826)	-	(1,329,559)
	$ 401,691	$ 538,911	$ 64,558	$ 699	$ 1,566	$ 12,614	$ 922,224	$ 1,942,263
2024								
At January 1, 2024	$ 401,691	$ 538,911	$ 64,558	$ 699	$ 1,566	$ 12,614	$ 922,224	$ 1,942,263
Additions	2,609	27,088	14,192	159	1,915	3,440	7,398	56,801
Transferred from prepayments for equipment	-	-	-	-	-	-	5,709	5,709
Transferred after acceptance inspection	-	785,504	8,062	2,492	133	15,613	(811,804)	-
Depreciation	-	(31,244)	(21,964)	(870)	(902)	(6,378)	-	(61,358)
Disposals－Cost	-	-	(172)	(135)	(461)	(294)	-	(1,062)
－Accumulated depreciation	-	-	169	135	431	285	-	1,020
Net currency exchange differences	3,769	7,262	68	6	14	10	-	11,129
At December 31, 2024	$ 408,069	$1,327,521	$ 64,913	$ 2,486	$ 2,696	$ 25,290	$ 123,527	$ 1,954,502
At December 31, 2024								
Cost	$ 408,069	$1,596,339	$ 988,122	$ 7,088	$ 26,495	$ 198,253	$ 123,527	$ 3,347,893
Accumulated depreciation	-	(268,818)	(923,209)	(4,602)	(23,799)	(172,963)	-	(1,393,391)
	$ 408,069	$1,327,521	$ 64,913	$ 2,486	$ 2,696	$ 25,290	$ 123,527	$ 1,954,502

At January 1, 2023	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Leasehold improvements and other equipment	Construction in progress and equipment before acceptance inspection	Total
Cost	$ 399,025	$ 766,458	$ 967,522	$ 4,386	$ 23,461	$ 177,643	$ 816,430	$ 3,154,925
Accumulated depreciation	-	(211,231)	(896,856)	(3,278)	(21,432)	(160,390)	-	(1,293,187)
	$ 399,025	$ 555,227	$ 70,666	$ 1,108	$ 2,029	$ 17,253	$ 816,430	$ 1,861,738
2023								
At January 1, 2023	$ 399,025	$ 555,227	$ 70,666	$ 1,108	$ 2,029	$ 17,253	$ 816,430	$ 1,861,738
Additions	1,585	5,453	9,398	150	1,495	1,834	73,231	93,146
Transferred from prepayments for equipment	-	-	-	-	-	-	51,459	51,459
Transferred after acceptance inspection	-	3,264	12,645	-	-	2,987	(18,896)	-
Depreciation	-	(25,080)	(28,320)	(562)	(1,973)	(9,508)	-	(65,443)
Disposals－Cost	-	(1,232)	(24,818)	-	(344)	(3,177)	-	(29,571)
－Accumulated depreciation	-	1,232	24,818	-	344	3,177	-	29,571
Net currency exchange differences	1,081	47	169	3	15	48	-	1,363
At December 31, 2023	$ 401,691	$ 538,911	$ 64,558	$ 699	$ 1,566	$ 12,614	$ 922,224	$ 1,942,263
At December 31, 2023								
Cost	$ 401,691	$ 773,878	$ 965,344	$ 4,535	$ 24,710	$ 179,440	$ 922,224	$ 3,271,822
Accumulated depreciation	-	(234,967)	(900,786)	(3,836)	(23,144)	(166,826)	-	(1,329,559)
	$ 401,691	$ 538,911	$ 64,558	$ 699	$ 1,566	$ 12,614	$ 922,224	$ 1,942,263

A. Property, plant and equipment of the Group were all for operating purposes as of December 31, 2024 and 2023.

B. Amount of borrowing costs capitalized as part of property, plant and equipment and the interest rates for such capitalization are as follows:

	For the years ended December 31,	
	2024	2023
Amount capitalized	$ 7,298	$ 13,687
Interest rate for capitalization	1.85%	1.76%

C. Information about the property, plant and equipment that were pledged to others as collateral as of December 31, 2024 and 2023 is provided in Note 8, 'Pledged assets'.

(7) Leasing arrangements－lessee

A. The Group leases land in Southern Taiwan Science Park Bureau of the Ministry of Science and Technology. Rental contracts are typically made for a period of 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

Carrying amount:

	December 31, 2024	December 31, 2023
Land	$ 81,348	$ 77,470

Depreciation charge:

	For the years ended December 31,	
	2024	2023
Land	$ 4,796	$ 4,303

C. For the years ended December 31, 2024 and 2023, there were no additions to right-of-use assets; revaluations to right-of-use assets were $8,674 and ($42,140), respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	For the years ended December 31,	
	2024	2023
Items affecting profit or loss		
Interest expense on lease liabilities	$ 1,604	$ 1,517
Expense on short-term lease contracts	$ 13,569	$ 12,532

E. For the years ended December 31, 2024 and 2023, the Group's total cash outflow for leases were $19,234 and $17,658, respectively.

(8) Intangible assets

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
At January 1, 2024						
Cost	$ 685	$ 12,981	$ 14,885	$ 90,718	$ 60,000	$ 179,269
Accumulated amortization	(595)	(5,899)	(13,166)	(36,287)	(13,500)	(69,447)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	$ 90	$ 7,082	$ 1,719	$ 54,431	$ -	$ 63,322
2024						
Net value at January 1, 2024	$ 90	$ 7,082	$ 1,719	$ 54,431	$ -	$ 63,322
Additions－acquired separately	67	1,859	214	-	-	2,140
Amortization	(15)	(772)	(445)	(9,072)	-	(10,304)
Net currency exchange differences	-	-	3	-	-	3
Net value at December 31, 2024	$ 142	$ 8,169	$ 1,491	$ 45,359	$ -	$ 55,161
At December 31, 2024						
Cost	$ 752	$ 14,840	$ 13,977	$ 90,718	$ 60,000	$ 180,287
Accumulated amortization	(610)	(6,671)	(12,486)	(45,359)	(13,500)	(78,626)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	$ 142	$ 8,169	$ 1,491	$ 45,359	$ -	$ 55,161

	Trademarks	Patents	Software	Turn-key professional technique	Others	Total
At January 1, 2023						
Cost	$ 685	$ 12,103	$ 13,336	$ 90,718	$ 60,000	$ 176,842
Accumulated amortization	(584)	(5,144)	(12,820)	(27,216)	(13,500)	(59,264)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	$ 101	$ 6,959	$ 516	$ 63,502	$ -	$ 71,078
2023						
Net value at January 1, 2023	$ 101	$ 6,959	$ 516	$ 63,502	$ -	$ 71,078
Additions－acquired separately	-	878	1,452	-	-	2,330
Amortization	(11)	(755)	(257)	(9,071)	-	(10,094)
Net currency exchange differences	-	-	8	-	-	8
Net value at December 31, 2023	$ 90	$ 7,082	$ 1,719	$ 54,431	$ -	$ 63,322
At December 31, 2023						
Cost	$ 685	$ 12,981	$ 14,885	$ 90,718	$ 60,000	$ 179,269
Accumulated amortization	(595)	(5,899)	(13,166)	(36,287)	(13,500)	(69,447)
Accumulated impairment	-	-	-	-	(46,500)	(46,500)
Net value	$ 90	$ 7,082	$ 1,719	$ 54,431	$ -	$ 63,322

A. For the years ended December 31, 2024 and 2023, no borrowing costs were capitalized as part of intangible assets.

B. Details of amortization on intangible assets are as follows:

	For the years ended December 31,	
	2024	2023
General and administrative expenses	$ 163	$ 23
Research and development expenses	10,141	10,071
	$ 10,304	$ 10,094

(9) Short-term borrowings

Nature	December 31, 2024	Interest rate range	Collateral
Bank unsecured borrowings	$ 160,000	1.52%～2.05%	None

Nature	December 31, 2023	Interest rate range	Collateral
Bank secured borrowings	$ 30,000	1.81%	Buildings and structures
Bank unsecured borrowings	335,000	1.35%～1.88%	None
	$ 365,000		

For more information about interest expense recognized by the Group for the years ended December 31, 2024 and 2023, refer to Note 6(20), 'Finance costs'.

(10) Other payables

	December 31, 2024	December 31, 2023
Accrued salaries and bonuses	$ 56,468	$ 55,594
Employees' compensation and directors' remuneration payable	12,200	13,478
Equipment payable	4,638	4,117
Miscellaneous payable	3,698	3,423
Others	41,382	35,529
	$ 118,386	$ 112,141

(11) Long-term borrowings

Nature	Expiry date	December 31, 2024	Interest rate range	Collateral
Long-term bank borrowings				
Secured borrowings	November 29, 2027～ February 15, 2031	$ 582,996	1.86%～ 2.81%	Land, buildings and structures
Unsecured borrowings	August 21, 2025～ February 19, 2029	682,886	1.82%～ 4.00%	None
		1,265,882		
Less: Current portion		(295,886)		
		$ 969,996		

Nature	Expiry date	December 31, 2023	Interest rate range	Collateral
Long-term bank borrowings				
Secured borrowings	May 15, 2027～ August 25, 2028	$ 549,388	1.73%～ 2.81%	Land, buildings and structures
Unsecured borrowings	February 25, 2025～ May 15, 2027	378,786	1.84%～ 4.56%	None
		928,174		
Less: Current portion		(81,259)		
		$ 846,915		

For more information about interest expense recognized by the Group for the years ended December 31, 2024 and 2023, refer to Note 6(20), 'Finance costs'.

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2024	December 31, 2023
Present value of defined benefit obligations	($ 14,921)	($ 16,184)
Fair value of plan assets	8,343	7,248
Net defined benefit liability	($ 6,578)	($ 8,936)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2024			
At January 1	($ 16,184)	$ 7,248	($ 8,936)
Interest (expense) income	(194)	87	(107)
	(16,378)	7,335	(9,043)
Remeasurements:			
Return on plan assets	-	623	623
Change in financial assumptions	185	-	185
Experience adjustments	1,272	-	1,272
	1,457	623	2,080
Pension fund contribution	-	385	385
Balance at December 31	($ 14,921)	$ 8,343	($ 6,578)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2023			
At January 1	($ 12,731)	$ 6,786	($ 5,945)
Interest (expense) income	(165)	88	(77)
	(12,896)	6,874	(6,022)
Remeasurements:			
Return on plan assets	-	25	25
Change in financial assumptions	(75)	-	(75)
Experience adjustments	(3,213)	-	(3,213)
	(3,288)	25	(3,263)
Pension fund contribution	-	349	349
Balance at December 31	($ 16,184)	$ 7,248	($ 8,936)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company’s defined benefit pension plan in accordance with the Fund’s annual investment and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2024 and 2023 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	For the years ended December 31,	
	2024	2023
Discount rate	1.50%	1.20%
Future salary increases	3.25%	3.25%

Assumptions regarding future mortality experience are both set based on actuarial advice in accordance with Taiwan Life Insurance 6th Mortality Table for the years ended December 31, 2024 and 2023.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2024				
Effect on present value of defined benefit obligation	($ 148)	$ 154	$ 134	($ 130)
December 31, 2023				
Effect on present value of defined benefit obligation	($ 185)	$ 192	$ 168	($ 162)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2025 amount to $420.

(g) As of December 31, 2024, the weighted average duration of the retirement plan is 5 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 8,978
2-5 years	2,160
Over 6 years	4,803
	$ 15,941

B. Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The other subsidiaries are subject to local government sponsored defined contribution plan. In accordance with related laws of the respective local government, the independent pension fund of employees is administered by the government. Other than the monthly contributions, these subsidiaries do not have further obligations. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2024 and 2023 were $13,840 and $15,744, respectively.

(13) Share capital

A. Movements in the number of the Company's ordinary shares outstanding are as follows (in thousands of shares):

	For the years ended December 31,	
	2024	2023
Balance at beginning and end of year	87,262	87,262

B. Treasury stocks

(a) Reason for share reacquisition and movements in the number of the Company's treasury stocks are as follows (in thousands of shares):

	For the years ended December 31,	
Reason for reacquisition	2024	2023
To be reissued to employees	2,000	2,000

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. As of December 31, 2024 and 2023, the treasury shares both amounted to $147,570.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury stocks should be reissued to the employees within 5 years from the reacquisition date and shares not reissued within the 5 year period are to be retired.

C. As of December 31, 2024, the Company's authorized capital was $1,500,000 (including $30,000 reserved for employee stock options), and the paid-in capital was $892,619 (89,262 thousand shares) with par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) Capital reserve

For the years ended December 31, 2024 and 2023	Share premium	Treasury share transactions	Others	Total
Balances at beginning and end of year	$ 440,553	$ 5,454	$ 114	$ 446,121

Pursuant to the R.O.C. Company Act, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(15) Retained earnings

A. The legal reserve shall be exclusively used to cover accumulated deficit, to issue new stocks, or to distribute cash to shareholders in proportion to their share ownership. The use of legal reserve for the issuance of stocks or cash dividends to shareholders in proportion to their share ownership is permitted provided that the balance of such reserve exceeds 25% of the Company's paid-in capital.

B. According to the Company's Articles of Incorporation, the Company's dividend policy is to distribute the current year's earnings, if any, in the following order:

(1) pay all taxes and dues;

(2) offset any loss of prior years;

(3) set aside 10% as legal reserve;

(4) set aside or reverse special reserve as required by regulations or the Competent Authority;

(5) The appropriation of the remaining amount after deducting items (1) to (4), along with the unappropriated retained earnings of prior years can be distributed in accordance with a resolution passed during a meeting of the Board of Directors and approved at the shareholders' meeting. However, the distribution of dividends shall not be lower than 20% of the current year's profit after deducting items (1) to (4). In order to continually expand the scale of operations, increase competitiveness and support the Company's long-term development plans, future capital requirements and long-term financial plan, the Company's dividend policy is to distribute stock dividends and partially as cash dividends. Cash dividends shall not be less than 10% of the total dividends distributed to shareholders. The Board of Directors of the Company shall adopt a resolution by a majority of more than two-thirds of the directors present to distribute whole or a part of the distributable dividends, bonuses, capital reserves or legal reserve in the form of cash, and report to the shareholders during their meetings. The above is not subject to provisions that require shareholders' approval.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings. As of December 31, 2024, the above special reserve amounted to $25,061.

D. The Company recognized cash dividends distributed to owners amounting to $69,809 ($0.8 (in dollars) per share) and $174,524 ($2.0 (in dollars) per share) for the years ended December 31, 2024 and 2023, respectively. On February 26, 2025, the Board of Directors proposed the distribution of cash dividends from 2024 earnings in the amount of $61,083 ($0.7 (in dollars) per share).

(16) Operating revenue

A. The Group derives revenue from the transfer of goods at a point in time in segments. Revenue from contracts with customers is broken down by product category as follows:

	For the years ended December 31,	
	2024	2023
Miniature linear guides	$ 590,757	$ 612,175
Large linear guides	360,545	394,940
Linear motor	84,728	66,615
Others	551	1,024
	$ 1,036,581	$ 1,074,754

B. The Group has recognized revenue-related contract liabilities amounting to $3,259, $440 and $664 as of December 31, 2024, December 31, 2023 and January 1, 2023, respectively. Revenue recognized that were included in the contract liability balance at the beginning of 2024 and 2023 for the years ended December 31, 2024 and 2023 were $419 and $516, respectively.

(17) Interest income

	For the years ended December 31,	
	2024	2023
Interest income from bank deposits	$ 7,331	$ 7,424
Interest income from financial assets measured at amortized cost	2,873	682
Other interest income	8	15
	$ 10,212	$ 8,121

(18) Other income

	For the years ended December 31, 2024	2023
Government grants revenue	$ 40	$ 40
Income from sales of solar energy power	10,037	1,552
Other income-other	2,038	7,595
	$ 12,115	$ 9,187

(19) Other gains and losses

	For the years ended December 31, 2024	2023
Currency exchange gain	$ 26,790	$ 19,470
Net loss on financial assets at fair value through profit or loss	(1,208)	-
Loss on disposal of property, plant and equipment	(42)	-
Other losses	(21)	(67)
	$ 25,519	$ 19,403

(20) Finance costs

	For the years ended December 31, 2024	2023
Interest expense:		
Interest expense on bank borrowings	$ 30,562	$ 23,483
Interest expense on lease liabilities	1,604	1,517
Less: Capitalization of qualifying assets	(7,298)	(13,687)
	$ 24,868	$ 11,313

(21) Expenses by nature

	For the year ended December 31, 2024		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 197,985	$ 157,862	$ 355,847
Depreciation	36,080	30,074	66,154
Amortization	-	10,304	10,304
	$ 234,065	$ 198,240	$ 432,305

	For the year ended December 31, 2023		
	Operating cost	Operating expense	Total
Employee benefit expense	$ 208,893	$ 166,954	$ 375,847
Depreciation	40,435	29,311	69,746
Amortization	-	10,094	10,094
	$ 249,328	$ 206,359	$ 455,687

(22) Employee benefit expense

	For the year ended December 31, 2024		
	Operating cost	Operating expense	Total
Wages and salaries	$ 162,420	$ 136,695	$ 299,115
Labor and health insurance expense	18,809	11,101	29,910
Pension costs	8,498	5,449	13,947
Other personnel expenses	8,258	4,617	12,875
	$ 197,985	$ 157,862	$ 355,847

	For the year ended December 31, 2023		
	Operating cost	Operating expense	Total
Wages and salaries	$ 166,517	$ 145,227	$ 311,744
Labor and health insurance expense	23,347	11,272	34,619
Pension costs	10,016	5,805	15,821
Other personnel expenses	9,013	4,650	13,663
	$ 208,893	$ 166,954	$ 375,847

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall be 3% to 15% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2024 and 2023, the Company's employees' compensation were $10,000 and $11,048, respectively; while directors' remuneration were $2,200 and $2,430, respectively. The aforementioned amounts were recognized in salary expenses and were estimated and accrued based on the earnings of current period and the percentage specified in the Articles of Incorporation of the Company.

   The employees' compensation and directors' remuneration for 2023 as resolved by the Board of Directors were $11,048 and $2,430, respectively. The employees' compensation and directors' remuneration for 2023 as resolved by the Board of Directors were equal to the amounts recognized in the 2023 financial statements. The employees' compensation and directors' remuneration as resolved by the Board of Directors on January 24, 2025 were $10,000 and $2,200, respectively. The employees' compensation will be distributed in the form of cash.

   Information about the appropriation of employees' compensation and directors' remuneration of the Company as proposed by the Board of Directors is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(23) Income tax

A. Income tax expense:

(a) Components of income tax expense:

	For the years ended December 31,	
	2024	2023
Current income tax:		
Income tax incurred in current year	$ 20,934	$ 40,136
Tax on unappropriated earnings	-	3,732
Prior year income tax (over) under estimation	(567)	6,491
Total current income tax	20,367	50,359
Deferred income tax:		
Origination and reversal of temporary differences	3,775	(5,421)
Income tax expense	$ 24,142	$ 44,938

(b) The income tax relating to components of other comprehensive income is as follows:

	For the years ended December 31,	
	2024	2023
Remeasurement of defined benefit obligations	$ 416	($ 653)

B. Reconciliation between income tax expense and accounting profit:

	For the years ended December 31,	
	2024	2023
Tax calculated based on profit before tax and statutory tax rate	$ 30,768	$ 39,932
Effect of items exempt by tax regulation	(831)	(44)
Effect from investment tax credits	(5,228)	(5,173)
Tax on unappropriated earnings	-	3,732
Prior year's income tax (over) under estimation	(567)	6,491
Income tax expense	$ 24,142	$ 44,938

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2024			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Loss on inventory market value decline	$ 10,221	$ 1,697	$ -	$ 11,918
Unused compensated absences	3,819	887	-	4,706
Unrealized gain on interafflilates	17,069	845	-	17,914
Pensions	2,572	-	(416)	2,156
Unrealized loss on foreign currency exchange	1,286	(1,286)	-	-
	$ 34,967	$ 2,143	($ 416)	$ 36,694
Deferred tax liabilities:				
Investment (income) loss	($ 22,810)	($ 5,604)	$ -	($ 28,414)
Depreciation	(1,695)	51	-	(1,644)
Unrealized gain on foreign currency exchange	-	(365)	-	(365)
	($ 24,505)	($ 5,918)	$ -	($ 30,423)
	$ 10,462	($ 3,775)	($ 416)	$ 6,271

	2023			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets:				
Loss on inventory market value decline	$ 7,757	$ 2,464	$ -	$ 10,221
Unused compensated absences	4,058	(239)	-	3,819
Unrealized gain on interafflilates	18,324	(1,255)	-	17,069
Pensions	1,919	-	653	2,572
Unrealized loss on foreign currency exchange	-	1,286	-	1,286
	$ 32,058	$ 2,256	$ 653	$ 34,967
Deferred tax liabilities:				
Investment (income) loss	($ 23,763)	$ 953	$ -	($ 22,810)
Depreciation	(1,746)	51	-	(1,695)
Unrealized gain on foreign currency exchange	(2,161)	2,161	-	-
	($ 27,670)	$ 3,165	$ -	($ 24,505)
	$ 4,388	$ 5,421	$ 653	$ 10,462

D. The Company’s income tax returns through 2022 have been assessed and approved by the Tax Authority. There were no disputes existing between the Company and the Tax Authority as of February 26, 2025.

(24) Earnings per share ("EPS")

	For the year ended December 31, 2024		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 93,813	87,262	$ 1.08
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 93,813	87,262	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	99	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 93,813	87,361	$ 1.07

	For the year ended December 31, 2023		
	Amount after tax	Weighted average number of shares outstanding (shares in thousands)	EPS (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 98,042	87,262	$ 1.12
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 98,042	87,262	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	185	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 98,042	87,447	$ 1.12

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	For the years ended December 31, 2024	For the years ended December 31, 2023
Purchase of property, plant and equipment	$ 56,801	$ 93,146
Add: Opening balance of notes payable	1,487	22,828
Opening balance of payable for equipment	4,117	4,405
Less: Ending balance of notes payable	(124)	(1,487)
Ending balance of payable for equipment	(4,638)	(4,117)
Capitalization of interest	(7,298)	(13,687)
Cash paid for purchase of property, plant and equipment	$ 50,345	$ 101,088

B. Investing activities with no cash flow effects:

	For the years ended December 31, 2024	For the years ended December 31, 2023
Prepayments for equipment reclassified to property, plant and equipment	$ 5,709	$ 51,459

(26) Changes in liabilities from financing activities

	Short-term borrowings	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2024	$ 365,000	$ 82,452	$ 928,174	$ 1,375,626
Changes in cash flow from financing activities	(205,000)	(4,061)	331,580	122,519
Revaluations	-	8,674	-	8,674
Impact of changes in foreign exchange rate	-	-	6,128	6,128
At December 31, 2024	$ 160,000	$ 87,065	$ 1,265,882	$ 1,512,947

	Short-term borrowings	Lease liability	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2023	$ 225,000	$ 128,201	$ 783,160	$ 1,136,361
Changes in cash flow from financing activities	140,000	(3,609)	144,051	280,442
Revaluations	-	(42,140)	-	(42,140)
Impact of changes in foreign exchange rate	-	-	963	963
At December 31, 2023	$ 365,000	$ 82,452	$ 928,174	$ 1,375,626

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

None.

(2) Key management compensation

	For the years ended December 31,	
	2024	2023
Salaries and other short-term employee benefits	$ 28,323	$ 30,324

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value		Purpose of
Asset pledged	December 31, 2024	December 31, 2023	collateral
Restricted time deposits (Note 1)	$ 8,700	$ 8,700	Performance guarantee
Land (Note 2)	374,718	371,047	Guarantee for long-term borrowings
Buildings and structures-net (Note 2)	513,582	520,831	Guarantee for long and short-term borrowings
	$ 897,000	$ 900,578	

(Note 1) Listed as 'Financial assets at amortized cost - current'.

(Note 2) Listed as 'Property, plant and equipment'.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) As of December 31, 2024 and 2023, the endorsements and guarantees provided by the Company to the subsidiary, cpc Europa GmbH, amounted to $307,260 and $186,890, respectively, and the actual amounts drawn down were $128,025 and $122,328, respectively.

(2) As of December 31, 2024 and 2023, the Group's remaining balance due for construction in progress and prepayments for equipment were $92,048 and $164,838, respectively.

(3) On January 3, 2024, the Company entered into a mid-term secured syndicated loan contract for a credit line facility of $2,000,000 with 10 financial institutions including Mega International Commercial Bank Co., Ltd. The credit term is 7 years. Under the terms of the syndicated loan, the Company agrees that:

A. The financial ratios stated in the Company's semi-annual reviewed financial statements and annual audited financial statements shall meet the following financial ratios which will be assessed semi-annually:

(a) Current ratio (current assets/current liabilities): At least 100%.

(b) Liability ratio (total liabilities/net equity): Less than 220% from 2023 to 2025; less than 200% in 2026 and 2027; less than 180% from 2028.

(c) Tangible net value (shareholders' equity less intangible assets): At least $1,300,000.

B. If the Company violates the above financial covenants, the Company should improve within 9 months after the fiscal year or half fiscal year. It will not be considered as default, if the audited or reviewed financial ratios comply with the covenants after the improvement period. During the improvement period, the credit line which has not been withdrawn will be frozen, until the financial covenants are met. In addition, for withdrawn credit, its financing rate shall be increased by an additional 0.125% per annum from the date after the notification by the management bank to the date after the completion of improvement.

As of December 31, 2024, the Company has not violated any of the above covenants.

(4) For the details of operating lease agreements, refer to Note 6(7), 'Leasing arrangements－lessee'.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the level of debt.

(2) Financial instruments

A. Details of the Group's financial instruments by category are provided in Note 6.

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

I. Foreign exchange risk

(i) The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries denominated in various functional currency, primarily with respect to USD, EUR and JPY. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.

(iii) The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. However, as the objective of the net investments in foreign operations is for strategic purposes, the Group does not hedge the investments.

(iv) The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD, the subsidiaries' functional currency: USD, EUR and CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2024		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 4,680	32.785	$ 153,433
JPY:NTD	56,521	0.2099	11,045
EUR:NTD	2,003	34.14	68,377
Financial liabilities			
Monetary items			
EUR:NTD	611	34.14	20,979

	December 31, 2023		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 11,553	30.705	$ 354,749
JPY:NTD	126,745	0.2172	27,529
EUR:NTD	1,537	33.98	52,225
Financial liabilities			
Monetary items			
EUR:NTD	313	33.98	10,760

Sensitivity analysis of foreign exchange risk is primarily for foreign currency monetary items at financial reporting date. If the exchange rate of NTD to other currencies had appreciated/depreciated by 1% with all other factors remaining constant, the Group's net profit after tax for the years ended December 31, 2024 and 2023 would decrease/increase by $1,695 and $3,390, respectively.

(v) The total exchange gain, including realized and unrealized arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2024 and 2023 amounted to $26,790 and $19,470, respectively.

II. Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio and set stop-loss amounts for these instruments. The Group expects no significant market risk.

III. Cash flow and fair value interest rate risk

(i) The Group's main interest rate risk arises from short-term and long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. However, partial interest rate risk is offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2024 and 2023, the Group's borrowings at variable rate were mainly denominated in NTD, EUR, and USD.

(ii) The Group's borrowings are measured at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

(iii) If the borrowing interest rate had increased/decreased by 10% with all other variables held constant, profit, net of tax for the years ended December 31, 2024 and 2023 would have decreased/increased by $2,445 and $1,879, respectively. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

I. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

II. The Group manages its credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored.

III. The Group manages its credit risk, whereby if the contract payments are past due over based on the terms, there has been a significant increase in credit risk on that instrument. If the contract payment are past due over 365 days based on the terms, the default has occurred.

IV. The Group classifies customers' accounts receivable in accordance with the credit rating of customers and credit risk on trade. The Group applies the simplified approach using the provision matrix and the forecast ability to adjust historical and timely information to estimate expected credit loss. The Group's provision matrix as of December 31, 2024 and 2023 is as follows:

December 31, 2024	Current	Up to 180 days	More than 181 days past due	Total
Expected loss rate	0.03%~2%	0.03%~37.63%	0.03%~100%	
Total book value	$ 178,085	$ 55,016	$ 17,793	$ 250,894
Loss allowance	893	4,374	15,801	21,068

December 31, 2023	Current	Up to 180 days	More than 181 days past due	Total
Expected loss rate	0.03%~2%	0.03%~35.81%	22%~100%	
Total book value	$ 178,761	$ 48,475	$ 17,604	$ 244,840
Loss allowance	719	4,241	15,171	20,131

V. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	For the years ended December 31,	
	2024	2023
	Accounts receivable	Accounts receivable
At January 1	$ 20,131	$ 16,325
Provision for impairment	349	4,075
Effect of foreign exchange	588	(269)
At December 31	$ 21,068	$ 20,131

(c) Liquidity risk

I. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

II. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts. The Group is expected to readily generate cash inflows for managing liquidity risk.

III. The Group has the following undrawn borrowing facilities:

	December 31, 2024	December 31, 2023
Floating rate:		
Expiring within one year	$ 1,024,050	$ 864,050
Expiring beyond one year	1,368,025	2,524,562
	$ 2,392,075	$ 3,388,612

IV. The table below analyzes the Group's non-derivative financial liabilities and relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 160,404	$ -	$ -	$ -
Notes payable	62,338	-	-	-
Accounts payable	33,036	-	-	-
Other payables	118,386	-	-	-
Lease liability	5,665	5,665	16,995	73,644
Long-term borrowings (including current portion)	321,462	360,835	259,043	410,093

December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Non-derivative financial liabilities:				
Short-term borrowings	$ 366,915	$ -	$ -	$ -
Notes payable	41,913	-	-	-
Accounts payable	17,975	-	-	-
Other payables	112,141	-	-	-
Lease liability	5,126	5,126	15,378	71,760
Long-term borrowings (including current portion)	100,097	385,958	483,771	-

V. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group’s investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, financial assets at amortized cost - current, notes receivable, accounts receivable, other receivables, guarantee deposits paid, short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings (including current portion)) are approximate to their fair values.

C. The related information on financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets is as follows:

The related information on the nature of the assets is as follows:

December 31, 2024	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ 48,792	$ 48,792

There was no such situation as of December 31, 2023.

D. The methods and assumptions the Group used to measure fair value are as follows:

The fair value of financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

E. For the years ended December 31, 2024 and 2023, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3:

	For the year ended December 31, 2024
	Equity instrument
At January 1	$ -
Acquired during the year	50,000
Losses recognized in profit or loss	(1,208)
At December 31	$ 48,792

There was no such situation for the year ended December 31, 2023.

G. Group treasury is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2024	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Equity securities	$ 48,792	Net asset value	Not applicable	—	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(According to the regulatory requirement, only information for the year ended December 31, 2024 is disclosed.)

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Group's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: Refer to table 3.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting period: None.

J. Significant inter-company transactions during the reporting period: Refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Refer to table 8.

(4) Major shareholders information

Major shareholders information: Refer to table 9.

14. SEGMENT INFORMATION

(1) General information

The management of the Group has identified the operating segments based on how the Group’s chief operating decision maker regularly reviews information in order to make decisions. The Group's chief operating decision maker manages the business from an entity's perspective. The Group’s corporate composition, the basis for division and the basis for measuring departmental information have not changed significantly during the current period.

(2) Measurement segment information

The chief operating decision-maker evaluates the performance of operating segments based on pretax income excluding non-recurring income. For details of operating segments’ accounting policies, refer to Note 4.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

	For the year ended December 31, 2024					
	CHIEFTEK PRECISION	Chieftek (Kunshan)	cpc Europa	cpc USA	Others	Total
Segment revenue	$ 811,259	$136,703	$ 335,904	$ 198,025	$11,469	$ 1,493,360
Inter-segment revenue	445,182	-	128	-	11,469	456,779
External revenue	366,077	136,703	335,776	198,025	-	1,036,581
Interest income	5,630	1,051	50	2,235	1,246	10,212
Depreciation and amortization	69,816	91	2,675	427	3,449	76,458
Capital expenditures	103,118	307	4,669	203	-	108,297
Interest expense	17,422	-	4,969	-	2,477	24,868
Segment pre-tax income	110,167	13,240	(1,855)	21,856	2,567	145,975
Segment assets	3,361,598	219,575	235,819	129,971	212,964	4,159,927
Segment liabilities	1,526,859	884	148,399	4,023	87,946	1,768,111

	For the year ended December 31, 2023					
	CHIEFTEK PRECISION	Chieftek (Kunshan)	cpc Europa	cpc USA	Others	Total
Segment revenue	$ 795,982	$130,750	$ 364,209	$ 196,781	$11,130	$ 1,498,852
Inter-segment revenue	412,657	-	311	-	11,130	424,098
External revenue	383,325	130,750	363,898	196,781	-	1,074,754
Interest income	5,289	1,428	14	963	427	8,121
Depreciation and amortization	69,377	155	2,543	4,418	3,347	79,840
Capital expenditures	124,785	-	7,423	2,844	-	135,052
Interest expense	7,245	-	1,590	-	2,478	11,313
Segment pre-tax income	128,810	5,274	19,688	19,459	1,672	174,903
Segment assets	3,226,258	174,625	241,926	113,337	198,838	3,954,984
Segment liabilities	1,382,671	3,238	138,093	2,983	84,431	1,611,416

(4) Reconciliation for segment income

Sales between segments are carried out at arm's length. The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of reportable segments pre-tax income to profit before income tax from continuing operations is provided as follows:

	For the years ended December 31,	
	2024	2023
Reportable segments pre-tax income	$ 143,408	$ 173,231
Other segments pre-tax gain	2,567	1,672
Inter segments gain	(28,020)	(31,923)
Profit before income tax	$ 117,955	$ 142,980

(5) Information on products and services

The Group is engaged solely in the research and development, manufacture and sales of miniature linear guide, miniature ball screw, and miniature linear modules. Information relating to product sales revenue is provided in Note 6(16), 'Operating revenue'.

(6) Geographical information

Geographical information for the years ended December 31, 2024 and 2023 is as follows:

	Year ended December 31, 2024		Year ended December 31, 2023	
	Revenue (Note)	assets	Revenue (Note)	assets
Germany	$ 335,776	$ 42,122	$ 363,898	$ 39,981
USA	198,025	170,095	196,781	163,410
China	163,505	1,029	160,981	818
Taiwan	126,778	1,932,490	116,162	1,888,721
Singapore	58,824	-	36,015	-
Others	153,673	-	200,917	-
	$ 1,036,581	$ 2,145,736	$ 1,074,754	$ 2,092,930

(Note) The revenue is classified based on the location of the customer's country.

(7) Major customer information

The Group's revenues from each customer for the years ended December 31, 2024 and 2023 are less than 10% of the amount of operating revenue on the consolidated statement of comprehensive income.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the year ended December 31, 2024

Table 1

Expressed in thousands of NTD

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount during the year	Outstanding endorsement/ guarantee amount at December 31, 2024	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/ guarantor （Note 2）											
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	$ 1,195,908	$ 309,150	$ 307,260	$ 128,025	$ -	13%	$ 1,195,908	Y	N	N	–

(Note 1) The numbers filled in for the endorsements/gurantees provided by the Company or subsidiaries are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

(Note 2) The following code respresents the relationship with the Company:

(1) The Company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(Note 3) (1) The limit of total amount of endorsements/guarantees is 50% of the Company’s net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees for a single party is 20% of the Company’s net worth of the latest financial statements. Between companies whose voting shares are held by the Company directly and indirectly more than 90%, an endorsement guarantee may be made and its amount shall not exceed 10% of the Company’s net worth of the latest financial statements. However, this does not apply to inter-company endorsement guarantees where the Company directly or indirectly holds 100% of the voting shares.

(2) For any endorsements or gurantees provided by the Company due to business dealings, except for the abovementioned limit, the amount of endorsements or gurantees shall be limited to the business dealing amount of the most recent year. The business deeling amount is product purchase or sale amount between the entities, whichever is higher.

(3) Between companies whose voting shares are 100% held by the Company directly and indirectly, and the limit of total amount of endorsements/guarantees is 50% of the company’s, who provide endorsement guarantee, net worth of the latest financial statements, and the limit of total amount of endorsements/guarantees to a single party is 50% of the company’s, who provide endorsement guarantee, net worth of the latest financial statements.

(4) The limit of total amount of endorsements/guarantees provided by the Company and subsidiaries is 50% of the Company’s net worth of the latest financial statements, and the limt of total amount of endorsements/guarantees provided by the Company and subsidiaries to a single party is 50% of the Company' s net worth of the latest financial statements.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.785) as of December 31, 2024.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2024

Table 2 | Expressed in thousands of NTD

				As of December 31, 2024				
Securities held by	Marketable securities	Relationship with thesecurities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
CHIEFTEK PRECISION CO., LTD.	Stocks:							
	Phoenix VI Innovation Investment Co., Ltd.	–	Financial assets at fair value through profit or loss - non-current	5,000,000	$ 48,792	2.54%	$ 48,792	–

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more

For the year ended December 31, 2024

Table 3

Expressed in thousands of NTD

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHIEFTEK PRECISION CO., LTD.	Sugu new factory construction phase II	May 17, 2019	$ 467,579	$ 467,579	Hong Sheng Construction Corp.	—	—	—	—	$ -	Negotiation	Building for operation use In use	—

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

For the year ended December 31, 2024

Table 4 Expressed in thousands of NTD

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	Subsidiary	(Sales)	($ 199,415)	(25%)	(Note 1)	$ -	(Note 2)	$ 20,570	11%	—
	CHIEFTEK PRECISION USA CO., LTD.	Subsidiary	(Sales)	(113,501)	(14%)	(Note 1)	-	(Note 2)	11,536	6%	—
	Chieftek Machinery (Kunshan) Co., Ltd.	Subsidiary	(Sales)	(132,266)	(16%)	(Note 1)	-	(Note 2)	43,378	23%	—
cpc Europa GmbH	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	199,415	88%	(Note 1)	-	(Note 3)	(20,570)	(96%)	—
CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	113,501	100%	(Note 1)	-	(Note 3)	(11,536)	(100%)	—
Chieftek Machinery (Kunshan) Co., Ltd.	CHIEFTEK PRECISION CO., LTD.	Parent company	Purchases	132,266	100%	(Note 1)	-	(Note 3)	(43,378)	(100%)	—

(Note 1) 180 days after monthly-closing, T/T.

(Note 2) The Company's collection terms to third parties are 30 to 180 days after monthly statements.

(Note 3) The Company's payment terms to third parties are 30 to 60 days after monthly statements.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

For the year ended December 31, 2024

Table 5 Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	CHIEFTEK PRECISION CO., LTD.	cpc Europa GmbH	1	Endorsements and guarantees	$ 307,260	–	7%
				Sales revenue	(199,415)	180 days after monthly-closing, T/T	(19%)
				Accounts receivable	20,570	–	–
		CHIEFTEK PRECISION USA CO., LTD.	1	Sales revenue	(113,501)	180 days after monthly-closing, T/T	(11%)
				Accounts receivable	11,536	–	–
		Chieftek Machinery (Kunshan) Co., Ltd.	1	Sales revenue	(132,266)	180 days after monthly-closing, T/T	(13%)
				Accounts receivable	43,378	–	1%
1	CHIEFTEK PRECISION USA CO., LTD.	CHIEFTEK PRECISION INTERNATINAL LLC	3	Rent payment	11,469	–	1%
				Guarantee deposits paid	1,639	–	–

(Note 1) The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

(Note 2) Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

(Note 3) Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

(Note 4) Only transactions over 1 million are disclosed.

(Note 5) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.785) as of December 31, 2024.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Names, locations and other information of investee companies (not including investees in Mainland China)

For the year ended December 31, 2024

Table 6

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as of December 31, 2024	Initial investment amount: Balance as of December 31, 2023	Shares held as of December 31, 2024: Number of shares	Shares held as of December 31, 2024: Ownership (%)	Shares held as of December 31, 2024: Book value	Net profit (loss) of the investee for the year ended December 31, 2024	Investment income (loss) recognized by the Company for the year ended December 31, 2024	Footnote
CHIEFTEK PRECISION CO., LTD.	CHIEFTEK PRECISION HOLDING CO., LTD.	Samoa	Professional investment	$ 152,263	$ 152,263	5,100,000	100%	$ 175,357	$ 9,065	$ 9,065	Subsidiary
	CHIEFTEK PRECISION INTERNATIONAL LLC	United States of America	Lease of real estate property	110,054	110,054	-	100%	122,361	1,848	1,848	Subsidiary
	CHIEFTEK PRECISION USA CO., LTD.	United States of America	Sales of high precision linear motion components and rendering after -sale services	50,027	50,027	1,660,000	100%	117,026	19,815	19,815	Subsidiary
	cpc Europa GmbH	Germany	Sales of high precision linear motion components and rendering after -sale services	98,695	98,695	-	100%	66,849	(2,708)	(2,708)	Subsidiary

(Note) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.785) as of December 31, 2024.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the year ended December 31, 2024

Table 7

Expressed in thousands of NTD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2024	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2024		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2024	Net income of investee for the year ended December 31, 2024	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the year ended December 31, 2024 （Note 2）	Book value of investments in Mainland China as of December 31, 2024	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2024	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chieftek Machinery (Kunshan) Co., Ltd.	Production, processing and sales of high precision linear motion components and rendering after-sale services	$ 167,204	Note 1	$ 167,204	$ -	$ -	$ 167,204	$ 9,064	100%	$ 9,064	$ 172,741	$ 258,373	—

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2024	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 3)
CHIEFTEK PRECISION CO., LTD.	$ 167,204	$ 167,204	$ 1,435,090

(Note 1) Through investing in an existing company in the third area (CHIEFTEK PRECISION HOLDING CO., LTD.) which then invested in the investee in Mainland China.

(Note 2) The investment income (loss) is recognized based on the investees’ financial statements that were audited by the parent company’s auditors for the year ended December 31, 2024.

(Note 3) The ceiling amount is 60% of the higher of net worth or consolidated net worth.

(Note 4) Foreign currencies were translated into New Taiwan Dollars using the exchange rate (USD:NTD 1:32.785) as of December 31, 2024.

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

For the year ended December 31, 2024

Table 8

Expressed in thousands of NTD

	Sales (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at December 31, 2024	%	Balance at December 31, 2024	Purpose	Maximum balance during the year ended December 31, 2024	Balance at December 31, 2024	Interest rate	Interest during the year ended December 31, 2024	Others
Chieftek Machinery (Kunshan) Co., Ltd.	$ 132,266	13%	$ -	-	$ 43,378	1%	$ -	-	$ -	$ -	-	$ -	$ -

CHIEFTEK PRECISION CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2024

Table 9 Expressed in shares

	Number of shares	
Name of the major shareholder	Common stock	Ownership (%)
Hsu, Ming-Che	6,127,271	6.86%

Note: The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation.
The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.