

Daxin Materials Corporation
Parent-Company-Only Financial Statements
With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023

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



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Independent Auditors' Report

To the Board of Directors of Daxin Materials Corporation:

Opinion

We have audited the parent-company-only financial statements of Daxin Materials Corporation (“the Company”), which comprise the parent-company-only balance sheets as of December 31, 2024 and 2023, the parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent-company-only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountant and the 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 parent-company-only Financial Statements section of our report. We are independent of the Company 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 of 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 parent-company-only financial statements of the current period. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Revenue recognition

Refer to Note 4(13) “Revenue recognition” and Note 6(17) “Operating revenue” to the parent-company-only financial statements.

Description of the key audit matter:

Revenue generation is a key operating activity of a company, and the Company's major portion of revenue is composed of related party transactions which might have inherently higher risk of fraud. Moreover, revenue recognition is also dependent on the various sales terms in each individual contract with customers to ensure the performance obligation has been satisfied by transferring control over a product to a customer. Consequently, revenue recognition is one of the key areas our audit focused on.



How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included understanding and testing the Company's controls surrounding revenue recognition; understanding the Company's revenue types, its sales terms, related sales agreements and other supporting documents, to assess whether revenue recognition policies are applied appropriately; evaluating the trend of revenue; understanding the nature of related party transactions; performing the circularization of related party transactions; computer-aided testing sales cut off, on a sampling basis, for transactions incurred within a certain period before and after the balance sheet date to evaluate whether the revenue was recorded in proper period; and assessing the adequacy of the Company's disclosures of its revenue recognition policy and other related disclosures.

2. Valuation of inventories

Refer to Note 4(7) "Inventories"; Note 5 for uncertainty of accounting estimation and assumptions for inventory valuation, and Note 6(5) "Inventories" to the parent-company-only financial statements.

Description of the key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to rapid product innovation and keen market competition, the Company's products may no longer meet market demand in a short time and lead to the rapid fluctuation in the sales demand, as well as the selling price, which may result in product obsolescence and the cost of inventories to be higher than the net realizable value. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain key audit procedures that included evaluating whether valuation of inventories was accounted by the nature of inventories (the storage life of chemicals); performing sampling tests to verify the accuracy of inventory aging; understanding and testing the Company's controls surrounding inventories obsolescence management; inspecting the calculation mode of net realizable value; sampling the related tickets and supporting documents; evaluating whether valuation of inventories was accounted by in accordance with the Company's accounting policies, as well as the reasonableness of inventory provision policy; and assessing the adequacy of the Company's disclosures of its inventory valuation policy and other related disclosures.

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.



Auditors' Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 parent-company-only 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:

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

The engagement partners on the audit resulting in this independent auditors' report are Chun-Yuan Wu and Chien-Hui Lu.

KPMG

Taipei, Taiwan (Republic of China)

February 25, 2025

Notes to Readers

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

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

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

Daxin Materials Corporation

Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2024		December 31, 2023				December 31, 2024		December 31, 2023	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(1))	\$ 194,873	4	243,803	5	2170	Accounts payable	497,087	10	407,295	9
1110	Financial assets at fair value through profit or loss— current (note 6(2))	44,212	1	7,800	-	2180	Accounts payable to related parties (note 7)	13,331	-	12,333	-
1136	Financial assets measured at amortized cost— current (note 6(3))	1,423,778	29	1,160,628	25	2201	Payroll and bonus payable	349,878	7	299,437	6
1170	Accounts receivable, net (note 6(4))	413,109	8	370,984	8	2213	Payable on machinery and equipment	41,339	1	36,930	1
1180	Accounts receivable due from related parties, net (notes 6(4) and 7)	720,178	15	698,305	15	2230	Current tax liabilities	72,275	2	90,782	2
130X	Inventories (note 6(5))	379,599	7	338,185	7	2280	Lease liabilities— current (note 6(12))	8,606	-	8,617	-
1476	Other financial assets— current (note 6(4))	47,110	1	52,714	2	2322	Long-term borrowings, current portion (note 6(11))	143,999	3	95,999	2
1479	Other current assets	<u>36,429</u>	<u>1</u>	<u>29,203</u>	<u>1</u>	2399	Other current liabilities (note 6(17))	<u>139,358</u>	<u>3</u>	<u>136,181</u>	<u>3</u>
		<u>3,259,288</u>	<u>66</u>	<u>2,901,622</u>	<u>63</u>			<u>1,265,873</u>	<u>26</u>	<u>1,087,574</u>	<u>23</u>
Noncurrent assets:						Noncurrent liabilities:					
1535	Financial assets measured at amortized cost— noncurrent (notes 6(3) and 8)	26,691	1	8,800	-	2540	Long-term borrowings (note 6(11))	244,694	5	258,893	6
1600	Property, plant and equipment (notes 6(7), 7 and 9)	1,479,983	30	1,544,647	33	2570	Deferred tax liabilities (note 6(14))	2,057	-	-	-
1755	Right-of-use assets (note 6(8))	154,624	3	163,676	4	2580	Lease liabilities— noncurrent (note 6(12))	<u>152,732</u>	<u>3</u>	<u>160,954</u>	<u>3</u>
1780	Intangible assets (note 6(9))	2,552	-	1,992	-			<u>399,483</u>	<u>8</u>	<u>419,847</u>	<u>9</u>
1840	Deferred tax assets (note 6(14))	23,449	-	18,070	-		Total liabilities	<u>1,665,356</u>	<u>34</u>	<u>1,507,421</u>	<u>32</u>
1920	Guarantee deposits paid	2,594	-	2,577	-		Equity (note 6(15)):				
1990	Other noncurrent assets	<u>316</u>	<u>-</u>	<u>677</u>	<u>-</u>	3110	Common stock	<u>1,027,159</u>	<u>21</u>	<u>1,027,159</u>	<u>22</u>
		<u>1,690,209</u>	<u>34</u>	<u>1,740,439</u>	<u>37</u>	3200	Capital surplus	<u>41,838</u>	<u>1</u>	<u>41,814</u>	<u>1</u>
							Retained earnings:				
						3310	Legal reserve	638,586	13	586,250	13
						3320	Special reserve	-	-	1,310	-
						3350	Unappropriated retained earnings	<u>1,576,558</u>	<u>31</u>	<u>1,478,107</u>	<u>32</u>
								<u>2,215,144</u>	<u>44</u>	<u>2,065,667</u>	<u>45</u>
							Total equity	<u>3,284,141</u>	<u>66</u>	<u>3,134,640</u>	<u>68</u>
Total assets		\$ <u>4,949,497</u>	<u>100</u>	<u>4,642,061</u>	<u>100</u>	Total liabilities and equity		\$ <u>4,949,497</u>	<u>100</u>	<u>4,642,061</u>	<u>100</u>

See accompanying notes to parent-company-only financial statements.

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

Daxin Materials Corporation

Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2024		2023	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (notes 6(17) and 7)	\$ 4,117,847	100	4,264,121	100
5000	Operating costs (notes 6(5), (7), (8), (9), (13), (18) and 7)	<u>2,600,000</u>	<u>63</u>	<u>2,785,030</u>	<u>65</u>
	Gross profit from operations	<u>1,517,847</u>	<u>37</u>	<u>1,479,091</u>	<u>35</u>
	Operating expenses (notes 6(4), (7), (8), (9), (13), (18) and 7):				
6100	Selling expenses	196,206	5	185,786	5
6200	Administrative expenses	216,504	5	204,749	5
6300	Research and development expenses	497,972	12	480,768	11
6450	Expected credit gains	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>
		<u>910,682</u>	<u>22</u>	<u>868,303</u>	<u>21</u>
	Operating income	<u>607,165</u>	<u>15</u>	<u>610,788</u>	<u>14</u>
	Non-operating income and expenses (notes 6(12) and (19)):				
7020	Other gains and losses	31,346	1	(12,943)	-
7100	Interest income	27,035	-	14,758	-
7130	Dividend income	557	-	-	-
7510	Interest expense	<u>(7,516)</u>	<u>-</u>	<u>(7,154)</u>	<u>-</u>
		<u>51,422</u>	<u>1</u>	<u>(5,339)</u>	<u>-</u>
	Profit before income tax	658,587	16	605,449	14
7950	Less: Income tax expense (note 6(14))	<u>87,975</u>	<u>2</u>	<u>82,095</u>	<u>2</u>
	Net income	<u>570,612</u>	<u>14</u>	<u>523,354</u>	<u>12</u>
8300	Other comprehensive income (loss)				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>-</u>	<u>-</u>	<u>1,310</u>	<u>-</u>
	Total items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>1,310</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>1,310</u>	<u>-</u>
	Total comprehensive income	<u>\$ 570,612</u>	<u>14</u>	<u>524,664</u>	<u>12</u>
	Earnings per share (NT dollars) (note 6(16))				
9750	Basic earnings per share	<u>\$ 5.56</u>		<u>5.10</u>	
9850	Diluted earnings per share	<u>\$ 5.54</u>		<u>5.07</u>	

See accompanying notes to parent-company-only financial statements.

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

Daxin Materials Corporation

Statements of Changes in Equity

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings				Exchange differences on translation of foreign financial statements	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings		
Balance at January 1, 2023	\$ 1,027,159	41,814	543,638	1,303	1,336,335	1,881,276	(1,310)	2,948,939
Net income	-	-	-	-	523,354	523,354	-	523,354
Other comprehensive income (loss)	-	-	-	-	-	-	1,310	1,310
Total comprehensive income	-	-	-	-	523,354	523,354	1,310	524,664
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	42,612	-	(42,612)	-	-	-
Special reserve appropriated	-	-	-	7	(7)	-	-	-
Cash dividends to shareholders	-	-	-	-	(338,963)	(338,963)	-	(338,963)
Balance at December 31, 2023	1,027,159	41,814	586,250	1,310	1,478,107	2,065,667	-	3,134,640
Net income	-	-	-	-	570,612	570,612	-	570,612
Other comprehensive income (loss)	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	570,612	570,612	-	570,612
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	52,336	-	(52,336)	-	-	-
Reversal of special reserve	-	-	-	(1,310)	1,310	-	-	-
Cash dividends to shareholders	-	-	-	-	(421,135)	(421,135)	-	(421,135)
Other changes in capital surplus	-	24	-	-	-	-	-	24
Balance at December 31, 2024	<u>\$ 1,027,159</u>	<u>41,838</u>	<u>638,586</u>	<u>-</u>	<u>1,576,558</u>	<u>2,215,144</u>	<u>-</u>	<u>3,284,141</u>

See accompanying notes to parent-company-only financial statements.

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

Daxin Materials Corporation

Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	2024	2023
Cash flows from operating activities:		
Profit before income tax	\$ 658,587	605,449
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation	267,767	256,996
Amortization	3,560	2,927
Expected credit gains	-	(3,000)
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	9,541	(5,333)
Interest expense	7,516	7,154
Interest income	(27,035)	(14,758)
Dividend income	(557)	-
Gain on disposal of property, plant and equipment	(549)	(285)
Provisions for inventory obsolescence and devaluation loss	12,983	15,121
Others	537	2,322
Changes in operating assets and liabilities:		
Accounts receivable	(42,125)	(20,887)
Accounts receivable due from related parties	(21,873)	(31,777)
Inventories	(54,397)	11,025
Other current assets	(7,226)	(4,063)
Other financial assets — current	5,604	(31,470)
Financial assets measured at amortized cost — current	(261)	127
Accounts payable	89,792	(56,527)
Accounts payable to related parties	998	603
Other current liabilities	53,580	62,712
Cash generated from operations	956,442	796,336
Interest received	26,251	14,471
Interest paid	(7,478)	(7,133)
Income taxes paid	(109,804)	(77,138)
Net cash provided by operating activities	865,411	726,536
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost — current	(262,105)	(108,595)
Disposal (acquisition) of financial assets at amortized cost — noncurrent	(17,891)	1,550
Acquisition of financial assets at fair value through profit or loss	(45,953)	-
Disposal of subsidiary	-	124
Acquisition of property, plant and equipment	(189,922)	(217,542)
Disposal of property, plant and equipment	694	346
Increase in refundable deposits	(17)	(2,400)
Acquisition of intangible assets	(4,120)	(2,605)
Decrease in other noncurrent assets	361	478
Dividends received	557	-
Net cash used in investing activities	(518,396)	(328,644)
Cash flows from financing activities:		
Proceeds from short-term borrowings	160,000	195,000
Repayments of short-term borrowings	(160,000)	(195,000)
Proceeds from long-term borrowings	145,800	60,000
Repayments of long-term borrowings	(111,999)	(77,405)
Repayment of the principal portion of lease liabilities	(8,635)	(8,490)
Cash dividends paid	(421,135)	(338,963)
Other financing activities	24	-
Net cash used in financing activities	(395,945)	(364,858)
Net increase (decrease) in cash and cash equivalents	(48,930)	33,034
Cash and cash equivalents at beginning of period	243,803	210,769
Cash and cash equivalents at end of period	\$ 194,873	243,803

See accompanying notes to parent-company-only financial statements.

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

Daxin Materials Corporation

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

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

1. Company history

Daxin Materials Corporation (“the Company”) was incorporated in accordance with the Company Act of the Republic of China in July 12, 2006. The registered address is No.15, Keyuan 1st Rd., Central Taiwan Science Park, Taichung City, Taiwan, R.O.C. The Company’s common shares were listed and traded on the Taipei Exchange (“TPEX”) since May 12, 2011; officially listed on Taiwan Stock Exchange (“TWSE”) since July 16, 2012, and delisted from the TPEX at the same date.

The Company is mainly engaged in the research, design, development, manufacturing, and sale of semiconductor and display related fine chemicals.

2. The authorization of the financial statements

These parent-company-only financial statements were approved and authorized for issue by the Board of Directors on February 25, 2025.

3. Application of new standards, amendments and interpretations

- (1) Impact of adoption of International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”)

The Company has initially adopted the following new amendments from January 1, 2024, which do not have a significant impact on its parent-company-only financial statements.

- Amendments to IAS 1 “Classification of Liabilities as Current or Noncurrent”
- Amendments to IAS 1 “Noncurrent Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (2) Impact of the IFRSs endorsed by the FSC but not yet in effect

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its parent-company-only financial statements.

- Amendments to IAS 21 “Lack of Exchangeability”

Daxin Materials Corporation
Notes to the Financial Statements

- (3) The IFRSs issued by International Accounting Standards Board (“IASB”) but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its parent-company-only financial statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 18 “Presentation and Disclosure in Financial Statements”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

4. Summary of significant accounting policies

The significant accounting policies presented in the parent-company-only financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent-company-only financial statements.

- (1) Statement of compliance

The parent-company-only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (2) Basis of preparation

A. Basis of measurement

Expect for financial assets at fair value through profit or loss are measured at fair value, the parent-company-only financial statements have been prepared on a historical cost basis.

B. Functional and presentation currency

The functional currency of each Company entity is determined based on the primary economic environment in which the entity operates. The parent-company-only financial statements are presented in New Taiwan dollars (“NTD”), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand, unless otherwise noted.

Daxin Materials Corporation
Notes to the Financial Statements

(3) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss.

B. Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, joint control, or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(4) Classification of current and noncurrent assets and liabilities

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as noncurrent:

- A. It is expected to be realized, or intends to be sold or consumed, in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is expected to be realized within twelve months after the reporting period;
- D. Cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as noncurrent:

- A. It is expected to be settled in the normal operating cycle;
- B. It is held primarily for the purpose of trading;
- C. It is due to be settled within twelve months after the reporting period;
- D. The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(5) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(6) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issuance. An account receivable without a significant financing component is initially measured at the transaction price.

A. Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows;
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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These assets are subsequently measured at amortized cost, which is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) Fair value through other comprehensive income

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some accounts receivable are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company; therefore, those receivables are measured at FVOCI. However, they are included in the ‘accounts receivable’ line item.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

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

All financial assets not classified as measured at amortized cost or FVOCI mentioned above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any dividend or interest income, are recognized in profit or loss.

(d) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (“ECL”) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, accounts receivable, guarantee deposits paid and other financial assets), and debt investments measured at FVOCI.

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The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial assets which are measured by 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable is always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

ECL are a probability-weighted estimate of credit losses over the expected life of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost is credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;

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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial restructuring; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amount due.

(e) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets to another entity, or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

B. Financial liabilities and equity instruments

(a) Classification of debt or equity

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

(b) Equity instruments

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

(c) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(d) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(e) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

C. Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(7) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion cost, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(8) Investments in subsidiaries

The Company's subsidiaries are accounted for using the equity method when preparing their parent-company-only financial statements. Under the equity method, profit, other comprehensive income and equity in the parent-company-only financial statements are equivalent to those of the profit, other comprehensive income and equity which are contributed to the owners of the parent in the consolidated financial statements.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing of control over the subsidiary are accounted for as equity transactions.

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(9) Property, plant and equipment

A. Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

B. Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

C. Depreciation

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

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(a) Buildings and improvements: 5~25 years

(b) Machinery and equipment: 5~15 years

(c) R&D equipment: 5 years

(d) Office and other equipment: 3~15 years

Depreciation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(10) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- A. Fixed payments, including in substance fixed payments;
- B. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- C. Amounts expected to be payable under a residual value guarantee; and
- D. Payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- A. There is a change in future lease payments arising from the change in an index or a rate; or
- B. There is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- C. There is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- D. There is a change of its assessment on whether it will exercise an extension or termination option; or
- E. There are any lease modifications.

When the lease liability is remeasured, other than lease modifications a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment properties and lease liabilities as a separate line item respectively in the balance sheets.

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The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of dormitory, office, and transportation equipment that have a lease term of 12 months or less, and low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(11) Intangible assets

A. Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

B. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

C. Amortization

Amortization is calculated and recognized in profit or loss on a straight-line basis over 1 to 5 years for computer software, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(12) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For non-financial assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(13) Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

A. Sale of goods

The Company engages mainly in the research, design, development, manufacturing, and sale of semiconductor and display related fine chemicals. The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer'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, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered, as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

B. Government grants

When the Company has reasonable assurance that they will comply with the conditions attaching to the grant, and a government grant that becomes receivable as compensation for expenses already incurred is recognized in profit and loss on a systematic basis in the periods in which they are incurred.

C. Financing components

The Company expects that the length of time when the Company transfers the goods or services to the customer and when the customer pays for those goods or services will be less than one year. Therefore, the amount of consideration is not adjusted for the time value of money.

(14) Employee Benefits

A. Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

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B. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The expected cost of cash bonus or profit-sharing plans, which is anticipated to be paid within one year, are recognized as a liability when the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(15) Income tax

Income taxes comprise current taxes and deferred taxes. Except for items related to business combinations, or items recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

- A. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- B. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (a) the same taxable entity; or
 - (b) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

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(16) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to the shareholders of the Company. Basic earnings per share is calculated as the profit attributable to the shareholders of the Company divided by the weighted average number of common shares outstanding. Diluted earnings per share is calculated as the profit attributable to the shareholders of the Company divided by the weighted average number of common shares outstanding after adjustment for the effects of all potentially dilutive common shares, such as employee stock option and employee remuneration that has not been resolved by the shareholders' meeting and could be issued in the form of stock.

(17) Operating segment

The Company has disclosed operating segment information in consolidated financial statements. Hence, this information is not required to be disclosed in these parent-company-only financial statements.

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

In preparing the parent-company-only financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, which affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

Information about critical judgments, estimates and assumptions in applying accounting policies that have significant effect on the amounts recognized in the parent-company-only financial statements is valuation of inventories. Inventories are measured at the lower of cost or net realizable value. The product/technology renovation may lead to significant changes in the product demand so that existing products may no longer meet market expectations. Therefore, there would be violent fluctuations in the demand and selling price of those products, and result in the risk incurred to the cost of inventories higher than net realizable value. For the uncertainties of assumptions and estimates, please refer to note 6(5) for related significant risk disclosures that will cause a significant adjustment within 12 months.

6. Description of significant accounts

(1) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand, demand deposits	\$ 154,873	243,803
Cash equivalents — time deposits	40,000	-
	<u>\$ 194,873</u>	<u>243,803</u>

Please refer to Note 6(20) for the disclosure of currency risk and sensitivity analysis of the financial assets and liabilities of the Company.

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(2) Financial assets and liabilities at fair value through profit or loss

	December 31, 2024	December 31, 2023
Financial assets mandatorily measured at FVTPL:		
Beneficiary certificates	\$ 44,212	-
Forward exchange contracts	-	7,800
	\$ 44,212	7,800

The Company uses derivative instruments to hedge certain currency risk arising from the Company's operating activities. The Company held the following derivative instruments, which were not qualified for hedging accounting and accounted them as financial assets mandatorily measured at fair value through profit or loss.

December 31, 2023			
Contract amount (in thousands)	Currency	Maturity date	Book value
Derivative financial assets:			
Forward exchange contracts sold \$	7,633	USD to NTD	January 2024 ~ March 2024
			\$ 7,800

A. For the disclosure of price risk, please refer to note 6(20).

B. None of the Company's financial assets mentioned above was pledged as collateral.

(3) Financial assets measured at amortized cost — current and noncurrent

	December 31, 2024	December 31, 2023
Time deposits	\$ 1,430,900	1,168,795
Foreign bonds	17,891	-
Others	1,678	633
Less: Loss allowance	-	-
	\$ 1,450,469	1,169,428
Current	\$ 1,423,778	1,160,628
Noncurrent	\$ 26,691	8,800

The Company has assessed that these financial assets are held to maturity to collect contractual cash flows, which consist solely of payments of principal and interest on the principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

A. The carrying value of foreign bonds the Company invested in amounted to USD 500 thousand, with a coupon rate of 4.75% and a maturity date on November 15, 2043.

B. For the disclosure of credit risk, please refer to note 6(20).

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C. For details of the financial assets mentioned above as performance guarantee and collateral, please refer to note 8.

(4) Accounts receivable, net (including related parties)

	December 31, 2024	December 31, 2023
Accounts receivable — measured at amortized cost	\$ 1,162,309	1,079,984
Accounts receivable — measured at fair value through other comprehensive income	1,978	20,305
Less: Loss allowance	(31,000)	(31,000)
	<u>\$ 1,133,287</u>	<u>1,069,289</u>

The Company has assessed a portion of its accounts receivable that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, those accounts receivable were measured at fair value through other comprehensive income.

The Company applied the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable have been grouped based on credit risk characteristics and insurance coverage, as well as incorporated forward looking information.

The loss allowance provisions were determined as follows:

	December 31, 2024		
	Gross amount of accounts receivable	Weighted-average loss rate	Loss allowance
Current	\$ 1,157,656	2%~5%	30,670
1 to 30 days past due	6,631	2%~5%	330
	<u>\$ 1,164,287</u>		<u>31,000</u>

	December 31, 2023		
	Gross amount of accounts receivable	Weighted-average loss rate	Loss allowance
Current	\$ 1,096,753	2%~5%	30,823
1 to 30 days past due	3,536	2%~5%	177
	<u>\$ 1,100,289</u>		<u>31,000</u>

The movement of the loss allowance for accounts receivable was as follows:

	2024	2023
Balance at January 1	\$ 31,000	34,000
Allowance reversal	-	(3,000)
Balance at December 31	<u>\$ 31,000</u>	<u>31,000</u>

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Except for those that have been individually identified for impairment losses, the Company has accrued the impairment losses according to credit ratings, the historical default rate and forward-looking information.

Loss allowance for accounts receivable is used to record the bad debt losses. However, if the Company is convinced that the relevant receivable may not be recoverable, the loss allowance and financial assets shall be offset directly when it believes that it cannot be recovered.

None of the Company's accounts receivable mentioned above was pledged as collateral.

The Company entered into a non-recourse factoring agreement with the financial institution to sell its accounts receivable. Under the agreement, except those necessary agreed expenses, the Company is not required to bear the default risk of the transferred accounts receivable. The Company's accounts receivables, which were sold, as well as derecognized, and have been transferred to other receivables (recognized as other financial assets—current), were as follows:

(Unit: USD in thousands)

December 31, 2024					
Underwriting bank	Factoring limit	Amount sold and derecognized	Amount advanced	Range of handling fees rate (%)	Principal terms
Taipei Fubon Commercial Bank	USD 1,500	USD 1,440	-	0.25%	Notes 1~3

December 31, 2023					
Underwriting bank	Factoring limit	Amount sold and derecognized	Amount advanced	Range of handling fees rate (%)	Principal terms
Taipei Fubon Commercial Bank	USD 3,000	USD 1,717	-	0.3%	Notes 1~3

Note 1: The above amount has been reclassified to other receivables. Under the facility, the Company transferred its accounts receivable to the underwriting bank, without recourse and subject to underwriting consent.

Note 2: Risks of non-collection or potential payment default by customers in the event of insolvency are borne by the bank. The Company is not responsible for the collection of receivables and subject to the facility, or for any legal proceedings and costs thereof in collecting these receivables.

Note 3: The Company informed its customers to make payment directly to the Company's reserve account with the underwriting bank.

As of December 31, 2024 and 2023, the total outstanding receivables, after deducting the net of fees charged by the underwriting bank, amounted to \$47,110 thousand and \$52,714 thousand respectively, recognized as other financial assets—current.

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(5) Inventories

	December 31, 2024	December 31, 2023
Raw materials and supplies	\$ 181,960	171,303
Work in progress and semi-finished products	84,020	77,283
Finished goods and merchandise	<u>113,619</u>	<u>89,599</u>
	<u><u>\$ 379,599</u></u>	<u><u>338,185</u></u>

The net of provisions for inventories written down to the net realizable value, which were included in operating cost, amounted to \$12,983 thousand and \$15,121 thousand for the years ended December 31, 2024 and 2023, respectively.

The amounts recognized in cost of sales in relation to gain on physical inventory were \$21 thousand for the years ended December 31, 2024 and 2023, respectively.

None of the Company's inventories mentioned above was pledged as collateral.

(6) Investments accounted for using equity method

A. Subsidiaries

Please refer to the 2024 Consolidated Financial Statements.

B. Guarantee

None of the Company's investments accounted for using the equity method mentioned above was pledged as collateral.

(7) Property, plant and equipment

	Buildings	Machinery and equipment	R&D equipment	Office and other equipment	Construction in progress and equipment awaiting inspection	Total
Cost:						
Balance at January 1, 2024	\$ 2,155,625	936,799	308,189	159,538	21,750	3,581,901
Additions	-	153,476	6,249	21,322	13,284	194,331
Disposals	-	(46,333)	(2,179)	(8,397)	-	(56,909)
Reclassification	<u>(1,071,145)</u>	<u>1,083,434</u>	<u>699</u>	<u>1,738</u>	<u>(15,263)</u>	<u>(537)</u>
Balance at December 31, 2024	<u><u>\$ 1,084,480</u></u>	<u><u>2,127,376</u></u>	<u><u>312,958</u></u>	<u><u>174,201</u></u>	<u><u>19,771</u></u>	<u><u>3,718,786</u></u>
Balance at January 1, 2023	\$ 2,106,003	788,571	289,185	151,266	74,199	3,409,224
Additions	14,657	127,529	16,546	10,501	13,724	182,957
Disposals	-	(4,941)	(59)	(4,281)	-	(9,281)
Reclassification	<u>34,965</u>	<u>25,640</u>	<u>2,517</u>	<u>2,052</u>	<u>(66,173)</u>	<u>(999)</u>
Balance at December 31, 2023	<u><u>\$ 2,155,625</u></u>	<u><u>936,799</u></u>	<u><u>308,189</u></u>	<u><u>159,538</u></u>	<u><u>21,750</u></u>	<u><u>3,581,901</u></u>

Daxin Materials Corporation
Notes to the Financial Statements

	Buildings	Machinery and equipment	R&D equipment	Office and other equipment	Construction in progress and equipment awaiting inspection	Total
Accumulated depreciation:						
Balance at January 1, 2024	\$ 1,009,996	654,265	247,683	125,310	-	2,037,254
Depreciation	43,848	178,385	21,660	14,420	-	258,313
Disposals	-	(46,188)	(2,179)	(8,397)	-	(56,764)
Reclassification	(689,801)	689,801	-	-	-	-
Balance at December 31, 2024	<u>\$ 364,043</u>	<u>1,476,263</u>	<u>267,164</u>	<u>131,333</u>	<u>-</u>	<u>2,238,803</u>
Balance at January 1, 2023	\$ 890,422	565,476	226,107	116,905	-	1,798,910
Depreciation	119,574	93,669	21,635	12,686	-	247,564
Disposals	-	(4,880)	(59)	(4,281)	-	(9,220)
Balance at December 31, 2023	<u>\$ 1,009,996</u>	<u>654,265</u>	<u>247,683</u>	<u>125,310</u>	<u>-</u>	<u>2,037,254</u>
Carrying amounts:						
Balance at December 31, 2024	<u>\$ 720,437</u>	<u>651,113</u>	<u>45,794</u>	<u>42,868</u>	<u>19,771</u>	<u>1,479,983</u>
Balance at January 1, 2023	<u>\$ 1,215,581</u>	<u>223,095</u>	<u>63,078</u>	<u>34,361</u>	<u>74,199</u>	<u>1,610,314</u>
Balance at December 31, 2023	<u>\$ 1,145,629</u>	<u>282,534</u>	<u>60,506</u>	<u>34,228</u>	<u>21,750</u>	<u>1,544,647</u>

A. Guarantee

None of the Company's property, plant and equipment mentioned above was pledged as collateral.

B. Construction in progress and equipment awaiting inspection

The Company has carried out equipment augmentation in headquarters and new plant construction projects in Chungkang branch. The incurred but not yet paid amount of construction still in progress and equipment awaiting inspection amounted to \$797 thousand and \$563 thousand, respectively, as of December 31, 2024 and 2023.

(8) Right-of-use assets

	Land	Machinery and equipment	Total
Cost:			
Balance at January 1, 2024	\$ 209,180	704	209,884
Additions	402	-	402
Balance at December 31, 2024	<u>\$ 209,582</u>	<u>704</u>	<u>210,286</u>
Balance at December 31, 2023	<u>\$ 209,180</u>	<u>704</u>	<u>209,884</u>
(as the balance at January 1, 2023)			

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	<u>Land</u>	<u>Machinery and equipment</u>	<u>Total</u>
Accumulated depreciation:			
Balance at January 1, 2024	\$ 45,818	390	46,208
Depreciation	<u>9,220</u>	<u>234</u>	<u>9,454</u>
Balance at December 31, 2024	<u><u>\$ 55,038</u></u>	<u><u>624</u></u>	<u><u>55,662</u></u>
Balance at January 1, 2023	\$ 36,620	156	36,776
Depreciation	<u>9,198</u>	<u>234</u>	<u>9,432</u>
Balance at December 31, 2023	<u><u>\$ 45,818</u></u>	<u><u>390</u></u>	<u><u>46,208</u></u>
Carrying amount:			
Balance at December 31, 2024	<u><u>\$ 154,544</u></u>	<u><u>80</u></u>	<u><u>154,624</u></u>
Balance at January 1, 2023	<u><u>\$ 172,560</u></u>	<u><u>548</u></u>	<u><u>173,108</u></u>
Balance at December 31, 2023	<u><u>\$ 163,362</u></u>	<u><u>314</u></u>	<u><u>163,676</u></u>

(9) Intangible assets

	<u>Computer software</u>
Cost:	
Balance at January 1, 2024	\$ 26,364
Additions	4,120
Decrease	<u>(7,231)</u>
Balance at December 31, 2024	<u><u>\$ 23,253</u></u>
Balance at January 1, 2023	23,759
Additions	<u>2,605</u>
Balance at December 31, 2023	<u><u>\$ 26,364</u></u>
Accumulated amortization:	
Balance at January 1, 2024	24,372
Amortization	3,560
Decrease	<u>(7,231)</u>
Balance at December 31, 2024	<u><u>\$ 20,701</u></u>
Balance at January 1, 2023	21,445
Amortization	<u>2,927</u>
Balance at December 31, 2023	<u><u>\$ 24,372</u></u>
Carrying amounts:	
Balance at December 31, 2024	<u><u>\$ 2,552</u></u>
Balance at January 1, 2023	<u><u>\$ 2,314</u></u>
Balance at December 31, 2023	<u><u>\$ 1,992</u></u>

None of the Company's intangible assets mentioned above was pledged as collateral.

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Notes to the Financial Statements

(10) Short-term borrowings

	December 31, 2024	December 31, 2023
Unused credit lines	\$ <u>542,521</u>	<u>637,410</u>

Please refer to note 6(23) for information of drawdown and repayment of short-term borrowings, and note 6(19) for information of interest expenses for the years ended December 31, 2024 and 2023.

(11) Long-term borrowings

	December 31, 2024	December 31, 2023
Unsecured bank loans	\$ 388,693	354,892
Less: Current portion	<u>(143,999)</u>	<u>(95,999)</u>
Total	\$ <u>244,694</u>	<u>258,893</u>
Unused credit lines	\$ <u>-</u>	<u>585,000</u>
Range of interest rates	<u>1.375%</u>	<u>1.25%</u>

Please refer to note 6(23) for information of drawdown and repayment of long-term borrowings, and note 6(19) for information of interest expenses for the years ended December 31, 2024 and 2023.

(12) Lease liabilities

	December 31, 2024	December 31, 2023
Carrying amounts:		
Current	\$ <u>8,606</u>	<u>8,617</u>
Noncurrent	\$ <u>152,732</u>	<u>160,954</u>

The Company repaid \$8,635 thousand and \$8,490 thousand for the principal of lease liabilities for the years ended December 31, 2024 and 2023.

	2024	2023
Items that affected current profit or loss:		
Interest expenses relating to lease liabilities	\$ <u>2,491</u>	<u>2,613</u>
Expenses relating to short-term leases	\$ <u>4,801</u>	<u>3,639</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>393</u>	<u>338</u>

The amounts recognized in the statement of cash flows were as follows:

	2024	2023
Total cash outflow for leases	\$ <u>16,213</u>	<u>15,139</u>

Daxin Materials Corporation
Notes to the Financial Statements

A. Land leases

The Company leases lands for its facility and office space. The leases typically run for a period of 10 and 13 years with an option to renew the lease for an additional period after the end of the contract term.

Rent payments of land leases that are based on changes in officially announced land prices and the public facilities construction costs periodically in each park will be adjusted after being assessed.

B. Other leases

The Company leases the machinery and equipment with lease terms of 3 years.

In addition, the Company has elected not to recognize the right-of-use assets and lease liabilities for its dormitories, offices and carrier vehicles with the lease term of 1 to 2 years, which qualifies as short-term leases and leases of low-value assets.

(13) Employee benefits – Defined contribution plans

The Company contributes at the rate of 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company has no legal or constructive obligations to pay additional amounts after contributing to the Bureau of Labor Insurance.

The Company's pension costs incurred from contributions to the defined contribution plan were \$21,286 thousand and \$19,544 thousand for the years ended December 31, 2024 and 2023, respectively.

(14) Income tax

A. The components of income tax expenses were as follows:

	<u>2024</u>	<u>2023</u>
Current tax expense		
Current period	\$ 96,487	89,162
Adjustment to prior years	<u>(5,190)</u>	<u>(1,809)</u>
	<u>91,297</u>	<u>87,353</u>
Deferred tax benefit		
Temporary differences	<u>(3,322)</u>	<u>(5,258)</u>
Income tax expense	<u><u>\$ 87,975</u></u>	<u><u>82,095</u></u>

Daxin Materials Corporation
Notes to the Financial Statements

Reconciliations of income tax expense and profit before income tax were as follows:

	2024	2023
Profit before income tax	\$ <u>658,587</u>	<u>605,449</u>
Income tax expense at statutory tax rate	131,717	121,090
Tax effect of permanent differences	831	(669)
Investment tax credits	(43,164)	(38,212)
Additional tax on undistributed earnings	2,494	2,227
Others	<u>(3,903)</u>	<u>(2,341)</u>
Income tax expense	<u>\$ 87,975</u>	<u>82,095</u>

B. Deferred tax assets and liabilities

(a) Unrecognized deferred tax assets

	2024	2023
Investment tax credits	\$ <u>-</u>	<u>8,605</u>

The Company did not recognize the deferred tax assets arising from investment tax credit, which is awaiting to be examined and approved, in relation to “Regulations Governing the Application of Tax Credits for Corporate or Limited Partnership R&D Expenditures” for the year of 2024 and 2023.

(b) Movement of deferred tax assets and liabilities

	January 1, 2023	Recognized in profit or loss	December 31, 2023	Recognized in profit or loss	December 31, 2024
Deferred tax assets:					
Loss allowance for accounts receivable	\$ 4,705	(705)	4,000	(128)	3,872
Allowance for inventory valuation	1,971	(50)	1,921	655	2,576
Other temporary differences	<u>6,136</u>	<u>6,013</u>	<u>12,149</u>	<u>4,852</u>	<u>17,001</u>
	<u>\$ 12,812</u>	<u>5,258</u>	<u>18,070</u>	<u>5,379</u>	<u>23,449</u>
	January 1, 2023	Recognized in profit or loss	December 31, 2023	Recognized in profit or loss	December 31, 2024
Deferred tax liabilities:					
Other temporary differences	\$ -	-	-	(2,057)	(2,057)

C. The Company's income tax returns for the years through 2022 have been examined and approved by the R.O.C. income tax authorities.

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Notes to the Financial Statements

(15) Capital and other equity

As of December 31, 2024 and 2023, the authorized common stock of the Company amounted to \$1,500,000 thousand, which was divided into 150,000 thousand shares, with a par value of \$10 per share, of which \$100,000 thousand was reserved for employee stock options. The issued and outstanding shares of common stock both amounted to \$102,716 thousand.

A. Capital surplus

	December 31, 2024	December 31, 2023
Additional paid in capital	\$ 29,826	29,826
Employee stock options	10,666	10,666
Compensation cost arising from seasoned equity offering reserved for employees' purchase	1,322	1,322
Others	24	-
	\$ 41,838	41,814

Pursuant to the Company Act, any realized capital surplus is initially used to cover accumulated deficit, and the balance, if any, could be transferred to common stock as stock dividends or distributed by cash based on the original shareholding ratio. Realized capital surplus includes the premium derived from the issuance of share of stock in excess of par value and donations received by the Company. In accordance with the “Regulations Governing the Offering and Issuance of Securities by Securities Issuers”, distribution of stock dividends from capital surplus in any one year shall not exceed 10% of paid-in capital.

B. Retained earnings

According to the Company's Articles of Incorporation, if the Company has a profit at the end of each fiscal year, the profit shall be used for paying tax, offsetting the accumulated losses, and setting aside 10% of the remaining earnings as legal reserve unless and until the accumulated legal reserve has reached the amount of the paid in capital of the Company; then any remainder shall be appropriated as, or used to reverse the special reserve in accordance with the Company's operation or relevant laws and regulations. The balance (if any), together with the accumulated unappropriated retained earnings, can be distributed after the distribution plan proposed and approved. Dividend distribution can be distributed in whole or in part. If the dividend is distributed the form of shares, it has to be approved during the shareholders' meeting; and if it is in the form of cash, it shall first be approved by the Board of Directors, and reported during the shareholders' meeting thereafter.

The Company adopts the residual dividend policy, by considering factors such as the Company's current and future investment environment, cash requirements, domestic and overseas competitive conditions, capital budget, etc., while taking into account the shareholders' interests, maintenance of a balance dividend and the Company's long term financial plan. When the dividends are distributed, at least 30% of the current year's retained earnings available for distribution of the current year shall be appropriated as dividends, which may be distributed by way of cash, at a minimum of 10% of total earnings, and/or stock.

Daxin Materials Corporation

Notes to the Financial Statements

(a) Legal reserve

When the Company incurs no accumulated losses, the Company may distribute the portion of legal reserve which exceeds 25% of the Company's paid-in capital and the capital reserves permitted for distribution under the Company Act, in whole or in part, in the form of cash, to the shareholders in proportion to their shareholdings, after being approved by the Board of Directors and reported during the shareholders' meeting thereafter.

(b) Special reserve

In accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012, a special reserve equals to the total amount of items that are accounted for as deductions from shareholders' equity shall be set aside from the current and prior years' unappropriated earnings. This special reserve shall be reversed to retained earnings and be made available for distribution when the items that are accounted for as deduction from shareholders' equity are reversed in subsequent periods.

C. Earnings distribution

The Company's appropriation of earnings for 2023 by way of cash dividends has been approved in the Board of Directors' meeting held on February 27, 2024. The appropriation of 2023 earnings by other ways has been approved in the annual shareholders' meeting held on May 24, 2024. Details of distribution were as follows:

	<u>Appropriation of earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 52,336	
Special reserve	(1,310)	
Cash dividends to shareholders	<u>421,135</u>	4.1
	<u>\$ 472,161</u>	

The Company's appropriation of earnings for 2022 by way of cash dividends has been approved in the Board of Directors' meeting held on February 22, 2023. The appropriation of 2022 earnings by other ways has been approved in the annual shareholders' meeting held on June 15, 2023. Details of distribution were as follows:

	<u>Appropriation of earnings</u>	<u>Dividends per share (NT\$)</u>
Legal reserve	\$ 42,612	
Special reserve	7	
Cash dividends to shareholders	<u>338,963</u>	3.3
	<u>\$ 381,582</u>	

The Company's appropriation of earnings for 2024 by way of cash dividends, which has a par value of \$5 per share, had been approved in the Board of Directors' meeting held on February 25, 2025.

Information for the Company's appropriation of earnings is available at the Market Observation Post System website.

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Notes to the Financial Statements

D. Other equity — exchange differences on translation of foreign financial statements

	<u>2024</u>	<u>2023</u>
Balance at January 1	\$ -	(1,310)
Net change	<u>-</u>	<u>1,310</u>
Balance at December 31	<u>\$ -</u>	<u>-</u>

(16) Earnings per share

	<u>2024</u>	<u>2023</u>
Basic earnings per share:		
Net income attributable to the shareholders of the Company	\$ <u>570,612</u>	<u>523,354</u>
Weighted average number of common shares outstanding (in thousands of shares)	<u>102,716</u>	<u>102,716</u>
Basic earnings per share (in NTD)	\$ <u>5.56</u>	<u>5.10</u>
Diluted earnings per share:		
Net income attributable to the shareholders of the Company	\$ <u>570,612</u>	<u>523,354</u>
Weighted average number of common shares outstanding (basic) (in thousands of shares)	102,716	102,716
Dilutive potential common shares employee remuneration in stock (in thousands of shares)	<u>349</u>	<u>575</u>
Weighted average number of common shares outstanding (diluted) (in thousands of shares)	<u>103,065</u>	<u>103,291</u>
Diluted earnings per share (in NTD)	\$ <u>5.54</u>	<u>5.07</u>

(17) Operating revenue

A. Disaggregation of revenue from contracts with customers

	<u>2024</u>	<u>2023</u>
Primary geographical markets:		
Taiwan	\$ 2,544,865	2,419,439
China	1,460,074	1,777,902
Japan	87,602	49,850
Other areas	<u>25,306</u>	<u>16,930</u>
	\$ <u>4,117,847</u>	<u>4,264,121</u>

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	<u>2024</u>	<u>2023</u>
Major product categories:		
Semiconductor materials	\$ 371,536	189,898
Display materials	3,651,012	3,967,875
Key raw materials and others	<u>95,299</u>	<u>106,348</u>
	<u>\$ 4,117,847</u>	<u>4,264,121</u>

B. Contract balances

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>January 1, 2023</u>
Contract liabilities (recognized in other current liabilities)	\$ <u>37</u>	<u>-</u>	<u>9,890</u>

The major change in the balance of contract liabilities is the advance consideration received from customers for the contracts, in which revenue is recognized when products are delivered to customers. The amount of revenue recognized for the years ended December 31, 2024 and 2023, which was included in the contract liability balance at the beginning of the period, was \$0 thousand and \$9,890 thousand, respectively.

(18) Remuneration to employees and directors

According to the Company's Articles of Incorporation, if the Company has a profit (profit before income tax, excluding remuneration to employees and directors) for each fiscal year, the Company shall first reserve a sufficient amount to offset its accumulated losses, and then distribute the remaining balance in accordance with the ratio as follows:

A. No less than 3% as employees' remuneration.

B. No more than 1% as directors' remuneration.

Employees' remuneration may be distributed in the form of shares or cash, to qualified full-time employees, including those of the subsidiaries of the Company.

The Company accrued and recognized employees' remuneration amounting to \$53,835 thousand and \$49,492 thousand and directors' remuneration amounting to \$5,384 thousand and \$4,949 thousand for the years ended December 31, 2024 and 2023, respectively. These amounts were calculated using the Company's profit before income tax without the remunerations to employees and directors for each period, multiplied by the percentage which is stated under the Company's Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the Board of Directors, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

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The aforementioned amounts accrued in the 2024 and 2023 financial statements were consistent with those approved in the Board of Directors' meetings. The relevant information is available at the Market Observation Post System website.

(19) Non-operating income and expenses

A. Other gains and losses

	2024	2023
Gains on disposals of property, plant and equipment	\$ 549	285
Foreign exchange gains (losses), net	39,536	4,198
Net loss on financial assets (liabilities) measured at fair value through profit or loss	(14,183)	(16,909)
Government grants	4,800	13
Others	644	(530)
	\$ 31,346	(12,943)

B. Interest income

	2024	2023
Interest income on bank deposits	\$ 26,864	14,758
Other interest income	171	-
	\$ 27,035	14,758

C. Interest expense

	2024	2023
Interest expense on bank loans	\$ 5,025	4,541
Interest expense on lease liabilities	2,491	2,613
	\$ 7,516	7,154

(20) Financial instruments

A. Credit risk

(a) Credit risk exposure

Credit risk is the risk of financial loss to the Company if a counterparty of a financial assets transaction fails to meet its contractual obligations, and derived primarily from cash and cash equivalents, accounts receivable (including related parties), financial assets measured at amortized cost, and guarantee deposits paid. The maximum exposure to credit risk is equal to the carrying amount of the Company's financial assets.

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(b) Concentration of credit risk

As of December 31, 2024 and 2023, the Company's accounts receivable (including related parties) from the top 4 customers were 78% and 80%, respectively. There is no other significant concentration of credit risk from the remaining accounts receivable.

(c) Credit risks of receivables and debt securities

For credit risk exposure of accounts receivable, please refer to note 6(4). For the details of financial assets at amortized cost, including time deposits and foreign bonds, please refer to note 6(3).

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Please refer to note 4(6) regarding how the Company determines whether the financial assets are considered to be low credit risk).

B. Liquidity risk

Except for accounts payable (including related parties), payroll and bonus payable, and payable on machinery and equipment, the contractual maturities of other financial liabilities and the amounts include estimated interest payments but exclude the impact of netting agreements were as follow:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years or more</u>	<u>Over 5 years</u>
December 31, 2024							
Non-derivative financial liabilities							
Lease liabilities (current and noncurrent)	\$ 161,338	(182,723)	(5,503)	(5,463)	(10,886)	(32,659)	(128,212)
Long-term borrowings (including current portion)	<u>388,693</u>	<u>(396,130)</u>	<u>(74,466)</u>	<u>(73,970)</u>	<u>(146,456)</u>	<u>(101,238)</u>	<u>-</u>
	<u>\$ 550,031</u>	<u>(578,853)</u>	<u>(79,969)</u>	<u>(79,433)</u>	<u>(157,342)</u>	<u>(133,897)</u>	<u>(128,212)</u>
December 31, 2023							
Non-derivative financial liabilities							
Lease liabilities (current and noncurrent)	\$ 169,571	(193,387)	(5,551)	(5,551)	(10,942)	(32,586)	(138,757)
Long term borrowings (including current portion)	<u>354,892</u>	<u>(363,277)</u>	<u>(50,092)</u>	<u>(49,793)</u>	<u>(98,685)</u>	<u>(164,707)</u>	<u>-</u>
	<u>\$ 524,463</u>	<u>(556,664)</u>	<u>(55,643)</u>	<u>(55,344)</u>	<u>(109,627)</u>	<u>(197,293)</u>	<u>(138,757)</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

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C. Currency risk

(a) Exposure to foreign currency risk

The Company's financial assets and liabilities exposed to significant foreign currency risk were as follows:

	December 31, 2024			December 31, 2023		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 21,489	32.725	703,229	16,460	30.705	505,412
<u>Non-monetary items</u>						
USD	-	-	-	7,633	30.705	Note
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	107	32.725	3,512	194	30.705	5,959

Note: The fair value of forward exchange contracts was measured at the reporting date. For related information, please refer to note 6(2).

(b) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payables that are denominated in foreign currency. As of December 31, 2024 and 2023, an appreciating (depreciating) of 0.1% of the NTD against the USD would have increased or decreased the profit before income tax by \$700 thousand and \$499 thousand, respectively while all other variables were remained constant. The analysis was performed on the same basis for comparative periods.

(c) Foreign exchange gain (loss) on monetary items

With varieties of functional currencies within the Company, the Company disclosed foreign exchange gain (loss) on monetary items in aggregate. The aggregate of realized and unrealized foreign exchange gains (losses) for the years ended December 31, 2024 and 2023 were \$39,536 thousand and \$4,198 thousand, respectively.

D. Interest rate risk

The following sensitivity analysis is based on the exposure to the interest rate risk of bank loans on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased or decreased by 0.1%, the Company's profit before income tax would have increased or decreased by \$389 thousand and \$355 thousand for the years ended December 31, 2024 and 2023, respectively, with all other variable factors remaining constant.

Daxin Materials Corporation
Notes to the Financial Statements

E. Other price risk

If the price of the financial assets-equity security, which was calculated on the same basis for both years and assumed that all other variable factors remaining constant, had changed at the reporting date, the impact would have been as follows:

	2024		2023	
	Other comprehensive income (loss) before income tax	Net income (loss) before income tax	Other comprehensive income (loss) before income tax	Net income (loss) before income tax
Price of securities at the reporting date				
Increase 1%	\$ -	442	-	-
Decrease 1%	\$ -	(442)	-	-

F. Fair value of financial instruments

(a) Categories of financial instruments and fair value

The Company strives to use the observable market inputs when measuring assets and liabilities. The hierarchy of the fair value categorized by the valuation techniques used is as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (iii) Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

For any transfer within the fair value hierarchy, the Company recognizes the transfer on the reporting date.

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

	December 31, 2024				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at fair value through profit or loss—current	\$ 44,212	44,212	-	-	44,212

Daxin Materials Corporation
Notes to the Financial Statements

		December 31, 2024				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income						
Accounts receivable	\$	<u>1,978</u>	<u>-</u>	<u>1,978</u>	<u>-</u>	<u>1,978</u>
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	194,873	-	-	-	-
Financial assets measured at amortized cost — current		1,423,778	-	-	-	-
Accounts receivable (including related parties)		1,131,309	-	-	-	-
Other financial assets — current		47,110	-	-	-	-
Financial assets measured at amortized cost — noncurrent		26,691	-	16,199	-	16,199
Guarantee deposits paid		<u>2,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$	<u>2,826,355</u>	<u>-</u>	<u>16,199</u>	<u>-</u>	<u>16,199</u>
Financial liabilities						
Financial liabilities measured at amortized cost						
Accounts payable (including related parties)	\$	510,418	-	-	-	-
Payroll and bonus payable		349,878	-	-	-	-
Payable on machinery and equipment		41,339	-	-	-	-
Long-term borrowings (including current portion)		388,693	-	-	-	-
Lease liabilities — current and noncurrent		<u>161,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$	<u>1,451,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2023				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets						
Financial assets measured at fair value through profit or loss — current — derivative financial assets						
	\$	<u>7,800</u>	<u>-</u>	<u>7,800</u>	<u>-</u>	<u>7,800</u>
Financial assets at fair value through other comprehensive income						
Accounts receivable	\$	<u>20,305</u>	<u>-</u>	<u>20,305</u>	<u>-</u>	<u>20,305</u>

Daxin Materials Corporation
Notes to the Financial Statements

		December 31, 2023				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	243,803	-	-	-	-
Financial assets measured at amortized cost — current		1,160,628	-	-	-	-
Accounts receivable (including related parties)		1,048,984	-	-	-	-
Other financial assets — current		52,714	-	-	-	-
Financial assets measured at amortized cost — noncurrent		8,800	-	-	-	-
Guarantee deposits paid		2,577	-	-	-	-
	\$	<u>2,517,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Financial liabilities measured at amortized cost						
Accounts payable (including related parties)	\$	419,628	-	-	-	-
Payroll and bonus payable		299,437	-	-	-	-
Payable on machinery and equipment		36,930	-	-	-	-
Long-term borrowings (including current portion)		354,892	-	-	-	-
Lease liabilities — current and noncurrent		169,571	-	-	-	-
	\$	<u>1,280,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Valuation technique for financial instruments not measured at fair value

The Company estimates its financial instruments not measured at fair value using the following methods and assumptions:

Fair value measurement for financial assets and financial liabilities measured at amortized cost will be based on the latest quoted price and concluded price if the quotation provided by market makers or concluded price is available in active markets. When market value is unavailable, the fair value of financial assets and financial liabilities is evaluated based on the discounted cash flow.

(c) Valuation technique of financial instruments measured at fair value

(i) Non-derivative financial instruments

For the beneficiary certificates held by the Company, which are subject to standard terms and conditions and are traded in the active markets, the fair value is determined by reference to market quotations.

Daxin Materials Corporation
Notes to the Financial Statements

(ii) Derivative financial instruments

Forward exchange contracts are typically evaluated based on the exchange rates provided by the counterparty banks.

(d) Transfer of fair value level

There is no transfer between the levels for the years ended December 31, 2024 and 2023.

(21) Financial risk management

A. Overview

The Company has exposures to the following risks from its financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

In order to reduce and manage related financial risks, the Company is committed to analyzing, identifying and assessing the potential adverse effects of those financial risk factors on the Company's financial performance, and then proposing and implementing corresponding countermeasures to avoid unfavorable factors caused by financial risks.

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risk exposures, please refer to the respective notes in the accompanying parent-company-only financial statements.

B. Structure of risk management

The Company's major financial activities are reviewed by the Board of Directors and the Audit Committee in accordance with relevant regulations and internal control systems. During the execution of the financial projects, the Company must strictly abide by the related financial operation procedures in relation to the overall financial risk management and the division of authority and responsibility. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

C. Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from operating activities, financial assets measured at amortized cost, and cash and cash equivalents. Operation-related credit risk and financial credit risk are managed separately.

Daxin Materials Corporation
Notes to the Financial Statements

(a) Operation-related credit risk

The Company has established a credit policy under which each customer is analyzed individually to maintain the quality of accounts receivable.

The risk assessment of individual customer is based on a number of factors that may affect the customer's ability to make payments, including the customer's financial condition, ratings by credit rating agencies, the Company's internal credit ratings, historical transaction records, and current economic situations. The Company also utilizes certain credit enhancement tools, such as advance receipts and credit insurance, when appropriate, to reduce the credit risk of specific customers.

(b) Financial credit risk

The credit risk exposure in the bank deposits and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with banks and financial institutions, and corporate organization with good credit standing which are graded above par level, the Company believes that does not have performance capability issues and no significant credit risk.

D. Liquidity risk

Liquidity risk is the risk that the Company has no sufficient cash and other financial assets to meet its obligations associated with matured financial liabilities. There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill contract obligations. Please refer to note 6(20).

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial assets and liabilities, in order to manage market risks. All such transactions are executed in accordance with the Board of Directors and the Audit Committee's guide.

(a) Currency risk

The Company is exposed to currency risk on sales and purchases that are denominated in currencies other than the functional currencies of the Company. These transactions are primarily denominated in NTD and USD.

In respect of net positions of accounts receivable and payable denominated in foreign currencies, the Company undertakes forward exchange contracts appropriately. If necessary, the Company can rollover forward exchange contracts when contracts are mature.

(b) Interest rate risk

Please refer to note 6(20).

Daxin Materials Corporation
Notes to the Financial Statements

(22) Capital management

The Company's capital management is to ensure it has necessary and reasonable financial resources to support the future development, and takes the decent debt ratio into account contemporarily so that investors, creditors and the market can rest assured. The management may achieve the purpose of maintaining or adjusting the Company's capital structure by adjusting dividends paid to shareholders, returning capital to shareholders, and issuing new shares. The debt ratio as of December 31, 2024 and 2023 were 34% and 32% respectively. There were no changes in the Company's approach to capital management as of December 31, 2024.

(23) Investing and financing activities not affecting current cash flow

The Company's reconciliation of liabilities arising from financing activities was as follows:

	Short-term borrowings	Long-term borrowings (including current portion)	Lease liabilities (current and noncurrent)	Liabilities arising from financing activities
Balance at January 1, 2024	\$ -	354,892	169,571	524,463
Cash flow				
Proceeds from borrowings	160,000	145,800	-	305,800
Repayments of borrowings	(160,000)	(111,999)	-	(271,999)
Payment of lease liabilities	-	-	(8,635)	(8,635)
Interest paid	-	-	(2,491)	Note
Non-cash changes				
Interest expenses	-	-	2,491	Note
Additions of right-of-use assets	-	-	402	402
Balance at December 31, 2024	<u>\$ -</u>	<u>388,693</u>	<u>161,338</u>	<u>550,031</u>
Balance at January 1, 2023	\$ -	372,297	178,061	550,358
Cash flow				
Proceeds from borrowings	195,000	60,000	-	255,000
Repayments of borrowings	(195,000)	(77,405)	-	(272,405)
Payment of lease liabilities	-	-	(8,490)	(8,490)
Interest paid	-	-	(2,613)	Note
Non-cash changes				
Interest expenses	-	-	2,613	Note
Balance at December 31, 2023	<u>\$ -</u>	<u>354,892</u>	<u>169,571</u>	<u>524,463</u>

Note: It was categorized as operating activities.

Daxin Materials Corporation
Notes to the Financial Statements

7. Related party transactions

(1) Names and relationships of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Eternal Materials Co., Ltd. (“Eternal”)	The entity with significant influence over the Company
AUO Corporation (“AUO”)	The entity with significant influence over the Company
AUO Crystal Corp. (“ACTW”)	AUO’s Subsidiary
AUO (Suzhou) Co., Ltd. (“AUOSZ”)	AUO’s Subsidiary
AUO (Kunshan) Co., Ltd. (“AUOKS”)	AUO’s Subsidiary
Board members, general manager, and vice presidents	The management of the Company

(2) Compensation to key management personnel

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 80,232	79,884
Post-employment benefits	18,324	9,324
	<u>\$ 98,556</u>	<u>89,208</u>

(3) Significant transactions with related parties

A. Operating revenue and accounts receivable from related parties

	<u>Operating revenue</u>		<u>Accounts receivable from related parties</u>	
	<u>2024</u>	<u>2023</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
The entity with significant influence over the Company — AUO	\$ 2,012,987	2,029,711	711,029	693,709
Other related parties	22,498	15,122	9,149	4,596
	<u>\$ 2,035,485</u>	<u>2,044,833</u>	<u>720,178</u>	<u>698,305</u>

The credit terms for related parties were both 60 to 120 days from the end of the month while those for third parties were collected in advance to 120 days from the end of the month. The selling price for sales to the related parties was determined by market and adjusted according to the sales volume and product specification. The Company did not implement collateral requirements for receivables from related parties, and did not reserve the loss allowance for related parties’ receivables after appraisal.

Daxin Materials Corporation
Notes to the Financial Statements

B. Purchase, process outsourcing and accounts payable to related parties

	Purchase and process outsourcing		Accounts payable to related parties	
	2024	2023	December 31, 2024	December 31, 2023
The entity with significant influence over the Company	\$ <u>44,422</u>	<u>48,118</u>	<u>12,954</u>	<u>12,098</u>

The payment terms to related parties were both 90 days from the end of the month while those to third parties were prepayment to 120 days from the end of the month. The Company did not procure products with the same specification from third parties, so that purchase price between related parties and third parties cannot be compared. The products outsourced to related parties were different from products outsourced to third parties, so the payment terms and purchase prices can't be compared.

C. Disposal of property, plant and equipment

	Disposal prices		Gain on disposal of property, plant and equipment	
	2024	2023	2024	2023
Other related parties	\$ <u>524</u>	<u>317</u>	<u>524</u>	<u>317</u>

D. Acquisition of property, plant and equipment

	Acquisition prices		Payable on machinery and equipment	
	2024	2023	December 31, 2024	December 31, 2023
The entity with significant influence over the Company	\$ <u>5,584</u>	<u>1,396</u>	<u>-</u>	<u>-</u>

E. Others

The amounts of rental fees, other expenses, and the outstanding balance of other payable due to related parties were as follows:

	Amount		Accounts payable to related parties	
	2024	2023	December 31, 2024	December 31, 2023
The entity with significant influence over the Company	\$ 1,295	1,319	339	235
Other related parties	<u>48</u>	<u>12</u>	<u>38</u>	<u>-</u>
	<u>\$ 1,343</u>	<u>1,331</u>	<u>377</u>	<u>235</u>

Daxin Materials Corporation
Notes to the Financial Statements

8. Pledged assets

The carrying values of the assets which the Company pledged as collateral were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Time deposits (recognized in financial assets measured at amortized cost — noncurrent)	Guarantee for the lease contract with the Central Taiwan Science Park Bureau	\$ 6,200	6,200
Time deposits (recognized in financial assets measured at amortized cost — noncurrent)	Guarantee for the lease contract with the Taichung Branch, Bureau of Industrial Parks, Ministry of Economic Affairs	2,600	2,600
		<u>\$ 8,800</u>	<u>8,800</u>

9. Significant contingent liabilities and unrecognized commitments

The significant commitments and contingencies of the Company as of December 31, 2024 and 2023 were as follows:

- (1) A guarantee letter for import tariffs and VAT which the Company requested a bank to issue to the Taipei Customs Administration, Ministry of Finance amounting to both \$4,000 thousand.
- (2) The total amount of promissory notes deposited by the Company at the bank for acquiring borrowings limit, credit line of forward exchange trading and accounts receivable factoring was \$1,634,267 thousand and \$1,742,935 thousand, respectively.
- (3) The significant outstanding commitments for construction and purchase of property, plant and equipment amounted to \$76,604 thousand and \$101,722 thousand, respectively.
- (4) As of December 31, 2024, a promissory note and a guarantee letter issued by a bank to Taiwan Small & Medium Enterprise Counselling Foundation as a guarantee of government subsidies for the research and development project amounted \$24,000 thousand and \$18,929 thousand, respectively.

10. Significant disaster losses: None

11. Subsequent events: None

Daxin Materials Corporation
Notes to the Financial Statements

12. Other

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	2024			2023		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		210,936	529,166	740,102	189,377	495,422	684,799
Labor and health insurance		16,458	28,498	44,956	15,118	26,799	41,917
Pension		7,989	13,297	21,286	7,184	12,360	19,544
Remuneration of directors		-	17,004	17,004	-	16,907	16,907
Others		7,792	15,372	23,164	6,596	12,989	19,585
Depreciation		216,543	51,224	267,767	201,102	55,894	256,996
Amortization		486	3,074	3,560	351	2,576	2,927

Additional information on the Company's employee benefits for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Number of employees	\$ <u>437</u>	\$ <u>415</u>
Number of directors who's not employee	\$ <u>6</u>	\$ <u>6</u>
Average employee benefits	\$ <u>1,925</u>	\$ <u>1,872</u>
Average employee salaries	\$ <u>1,717</u>	\$ <u>1,674</u>
Average adjustment of employee salaries	<u>2.57%</u>	
Supervisor's remuneration (Note)	\$ <u>-</u>	\$ <u>-</u>

Note: The Company did not have supervisors for the years ended December 31, 2024 and 2023. Therefore, there was no remuneration to the supervisor.

The compensation policy of the Company (including directors, managers and employees) were as follows:

- (1) According to Article 10 of the Company's Articles of Incorporation, the Board of Directors is authorized to determine the remuneration to directors based on each director's level of participation and contributions to the Company's operations, taking into account the domestic and overseas industry levels. Directors who are not employees are compensated based on their involvement in the Company's operations, as well as business performance, risk and management responsibilities. To maintain the independence of each independent director, they receive a fixed compensation and do not participate in the distribution of director remuneration.
- (2) The procedures for determining the remuneration to the Company's president and vice presidents, are in accordance with the "Procedures of Remuneration to Managers" and "Procedures of Salary Distributions". The remunerations are formulated based on the roles and responsibilities of the President and Vice Presidents, with reference to the industry levels, as well as the Company's operational performance. They are reviewed by the Remuneration Committee and submitted to the Board of Directors for approval to maintain a competitive remuneration policy.
- (3) The Company reviews market compensation conditions periodically to offer competitive salaries that attract and retain talents. Additionally, in accordance with the Company's Articles of Incorporation, the Company shall distribute employees' remuneration based on profitability.

Daxin Materials Corporation

Notes to the Financial Statements

13. Additional disclosures

(1) Information on significant transactions

Following are the additional disclosures required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2024:

A. Loans to other parties: None.

B. Guarantees and endorsements for other parties: None.

C. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Type and name of marketable securities	Relationship with the securities issuer	Financial statement account	Ending balance				Note
				Shares	Carrying value	Percentage of ownership	Fair value	
The Company	Beneficiary certificates Capital Ice ESG 20+ Year BBB Corporate ETF	-	Financial assets at fair value through profit or loss—current	2,800,000	44,212	-	44,212	
The Company	Foreign bonds United States treasury of America bonds	-	Financial assets measured at amortized cost—noncurrent	-	17,891	-	16,199	

D. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

E. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

F. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

G. Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company name	Related party	Relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	% of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	% of total notes/accounts receivable (payable)	
The Company	AUO	The company who evaluated the Company by the equity method	Sales	2,012,987	49 %	120 days from the end of the month	Note 7	Note 7	711,029	63%	

H. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company name	Related party	Relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	AUO	The company who evaluated the Company by the equity method	711,029	2.87	38	In dunning	179,309	-

Note: The status of receivables collection in subsequent period was as of February 3, 2025.

I. Trading in derivative instruments: Please refer to notes 6(2).

Daxin Materials Corporation

Notes to the Financial Statements

(2) Information on investees:

The following is the information on investees for the years ended December 31, 2024:

Name of investor	Name of investee company	Location	Main businesses and products	Original investment amount		Ending balance			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2024	December 31, 2023	Shares	% of ownership	Carrying value			
The Company	FMSA	Samoa	Investing and shareholding	-	-	-	-	-	-	-	Note

Note: The registration process was completed on August 9, 2017. As of December 31, 2024, the capital was not injected.

(3) Information on investment in Mainland China:

A. The names of investees in Mainland China, the main businesses and products, and other information: None.

B. Limitation on investment in Mainland China: None.

C. Significant transactions: None.

(4) Major shareholders:

Major Shareholder	Shares	
	Total Shares Owned	Ownership Percentage
Eternal Materials Co., Ltd.	23,003,812	22.40 %
Konly Venture Corp.	19,113,730	18.61 %
Ronly Venture Corp.	6,312,075	6.15 %

Note : (1) The information on major shareholders, which is provided by the Taiwan Depository & Clearing Corporation, summarized the shareholders who held over 5% of the total nonphysical ordinary shares and preference shares (including treasury shares) on the last business date of each quarter. The actual registered non-physical shares may be different from the capital shares disclosed in the financial statements due to the use of different calculation basis.

(2) In the case of the above information, if a shareholder delivers shares to the trust, the shares will be individually disclosed by the trustee who opened the trust account. As for shareholders' declarations of insider's equity holdings exceeding 10% in accordance with the Securities and Exchange Act, their shareholding include their own shareholding, plus the shares delivered to the trust, and the right to use the trust property. For further information on relevant insider shares, please refer to the Market Observation Post System website.

14. Segment information

Please refer to the 2024 Consolidated Financial Statements.

Daxin Materials Corporation
Statement of Cash and Cash Equivalents
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Petty cash		\$ 20
Demand deposits		111,849
Foreign currency deposits	JPY: 9,355 thousand 、USD: 995 thousand 、RMB: 1,896 thousand (Note)	43,004
Time deposits		40,000
		\$ 194,873

Note: The exchange rates of foreign currencies converted into NTD at the balance sheet date were as follows:

JPY: 0.2073

USD: 32.725

RMB: 4.4780

Daxin Materials Corporation
Statement of Accounts Receivable
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Client name	Description	Amount
Client A	Operating	\$ 67,404
Client B	Operating	57,924
Client C	Operating	49,844
Client D	Operating	46,214
Client E	Operating	40,781
Client F	Operating	30,632
Others (The individual amount does not exceed 5% of the account balance)		<u>151,310</u>
Subtotal		444,109
Less: Loss allowance	Operating	<u>(31,000)</u>
Total		<u><u>\$ 413,109</u></u>

**Statement of Financial Assets Measured at
Amortized Cost—Current and Noncurrent**

For related information, please refer to Note 6 (3) “Financial assets measured at amortized cost—Current and Noncurrent” of the parent-company-only financial statements.

Daxin Materials Corporation
Statement of Inventories
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Item	Amount		Notes
	Cost (Note)	Net Realizable Value	
Finished goods and merchandise	\$ 181,960	192,571	Please refer to Note 4 (7) of the parent-company-only financial statements for the determination of net realizable value.
Work in progress and semi-finished products	84,020	146,057	
Raw materials and supplies	<u>113,619</u>	<u>208,697</u>	
	<u>\$ 379,599</u>	<u>547,325</u>	

Note: Provision of inventory obsolescence has been deducted.

Statement of Other Current Assets

Item	Amount
VAT tax refund receivable	\$ 18,421
Temporary payments	6,345
Prepayment insurance	4,140
Inventory of supplies	3,297
Other prepaid expense	2,368
Others (The individual amount does not exceed 5% of the account balance)	<u>1,858</u>
	<u>\$ 36,429</u>

Daxin Materials Corporation
Statement of Movement in Property, Plant and
Equipment
For the year ended December 31, 2024

For related information, please refer to Note 6 (7) “Property, Plant and Equipment” of the parent-company-only financial statements.

Statement of Movement in Right-of-Use Assets

For related information, please refer to Note 6 (8) “Right-of-Use Assets” of the parent-company-only financial statements.

Statement of Movement in Intangible Assets

For related information, please refer to Note 6 (9) “Intangible Assets” of the parent-company-only financial statements.

Daxin Materials Corporation
Statement of Other Noncurrent Assets
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Line subsidies	\$ 287
Others (The individual amount does not exceed 5% of the account balance)	29
	\$ 316

Statement of Guarantee Deposits Paid

Item	Amount
Refundable deposits of investment	\$ 2,400
Refundable deposits of office & dormitory	189
Other refundable deposits	5
	\$ 2,594

Daxin Materials Corporation
Statement of Accounts Payable
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Vendor name	Description	Amount
Accounts Payable:		
Vendor A	Operating	\$ 86,187
Vendor B	Operating	54,321
Vendor C	Operating	25,184
Others (The individual amount does not exceed 5% of the account balance)	Operating	<u>331,395</u>
Total		<u><u>\$ 497,087</u></u>

Statement of Other Current Liabilities

Item	Amount
Freight payable	\$ 34,350
Commission payable	15,842
Health insurance payable	10,230
Others (The individual amount does not exceed 5% of the account balance)	<u>78,936</u>
	<u><u>\$ 139,358</u></u>

Daxin Materials Corporation
Statement of Long-Term Borrowings
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Bank	Amount	Term of Contract	Interest Rate	Collateral
E.SUN Commercial Bank	\$ 18,467	August 2020~August 2027	1.375%	None
E.SUN Commercial Bank	36,200	August 2021~August 2027	1.375%	None
E.SUN Commercial Bank	68,667	August 2022~August 2027	1.375%	None
E.SUN Commercial Bank	40,000	August 2023~August 2027	1.375%	None
E.SUN Commercial Bank	70,400	August 2024~August 2027	1.375%	None
Mega International Commercial Bank	59,838	September 2020~September 2027	1.375%	None
Mega International Commercial Bank	35,721	August 2022~September 2027	1.375%	None
Mega International Commercial Bank	<u>59,400</u>	August 2024~September 2027	1.375%	None
	388,693			
Less: current portion	<u>(143,999)</u>			
	<u><u>\$ 244,694</u></u>			

Daxin Materials Corporation
Statement of Lease Liabilities
December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Ending Balance</u>
Land	Mainly for the use of plants and offices	January 1, 2019~ January 31, 2043	1.5%	\$ 161,258
Machinery and equipment	For operation use	May 1, 2022~ April 30, 2025	1.5%	<u>80</u>
				161,338
Less: current portion				<u>(8,606)</u>
				<u><u>\$ 152,732</u></u>

Note: The above leases with an option to renew the lease for an additional period after the end of the contract term.

Statement of Operating Revenue

<u>Item</u>	<u>Quantity (kg/piece)</u>	<u>Amount</u>
Semiconductor materials	993,757	\$ 371,536
Display materials	38,082,184	3,651,012
Key raw materials and others	131,324	<u>95,299</u>
		<u><u>\$ 4,117,847</u></u>

Daxin Materials Corporation
Statement of Operating Costs
For the year ended December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Beginning balance of raw materials	\$ 176,217
Add: Purchase	1,486,222
Physical inventory gain	10
Less: Ending balance of raw materials	(190,011)
Sale of raw materials	(844)
Transferred to expense and others	(42,272)
Raw materials used	<u>1,429,322</u>
Direct labor	81,401
Manufacturing overhead	569,933
Costs of conversion	<u>84,290</u>
Manufacturing cost	2,164,946
Add: Beginning balance of work in progress and semi-finished products	81,281
Physical inventory gain	11
Less: Ending balance of work in progress and semi-finished products	(88,038)
Transferred to expense and others	(1,975)
Sale of semi-finished products	<u>(321)</u>
Cost of finished goods	2,155,904
Beginning balance of finished goods	90,296
Add: Transferred from expense and others	2,889
Ending balance of finished goods	<u>(114,432)</u>
Cost of sales — Finished goods	2,134,657
Cost of sales — Merchandise	447,691
Sale of raw materials and semi-finished products	1,165
Allowance for inventory valuation losses	12,983
Others	<u>3,504</u>
Operating costs	<u><u>\$ 2,600,000</u></u>

Daxin Materials Corporation
Statement of Selling Expenses
For the year ended December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Freight	\$ 73,339
Salary	57,495
Commission	39,716
Others (The individual amount does not exceed 5% of the account balance)	<u>25,656</u>
	<u>\$ 196,206</u>

Statement of Administrative Expenses

Item	Amount
Salary	\$ 129,357
Remuneration of directors	17,004
Others (The individual amount does not exceed 5% of the account balance)	<u>70,143</u>
	<u>\$ 216,504</u>

Daxin Materials Corporation
Statement of Research and Development Expenses
For the year ended December 31, 2024
(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Salary	\$ 342,314
Depreciation	39,526
Consumables	25,997
Others (The individual amount does not exceed 5% of the account balance)	90,135
	<u><u>\$ 497,972</u></u>

Statement of Other Gains and Losses

For related information, please refer to Note 6 (19) “Other gains and losses” of the parent-company-only financial statements.