

Hi-Clearance Inc. and Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Report
2024 & 2023

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Statement

In 2024 (from January 1, 2024 to December 31, 2024), the companies required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards (IFRS) 10 recognized by Financial Supervisory Commission (FSC), and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. The Company hereby produces this declaration to the effect that no preparation for the separate consolidated financial statements of affiliates is required.

Sincerely,

Company Name: Hi-Clearance Inc.

Chairman: Lee Chung-Liang

Date: February 21, 2025

Independent Auditors' Report

Board of Directors of Hi-Clearance Inc. herein declares:

Opinions

The 2024 and 2023 consolidated balance sheet of Hi-Clearance Inc. and subsidiaries (hereinafter referred to as "Hi-Clearance Group"), as well as the comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flows, Consolidated Financial Statements, and notes to the Consolidated Financial Statements for the period from January 1 to December 31 of the years 2024 and 2023 (including the aggregation of significant accounting policies), have been audited by our CPAs.

In our opinion, the Consolidated Financial Statements mentioned above have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission in all material aspects, and are considered to have reasonably expressed the consolidated financial conditions of Hi-Clearance Group as of December 31, 2024 and 2023, as well as the consolidated financial performance and consolidated cash flows from January 1 to December 31, 2024 and 2023.

Basis for Opinions

The audit was conducted in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Hi-Clearance Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China ("The Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of Hi-Clearance Group for the year 2024. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. Critical matters that should be communicated in the audit report are as follows:

I. Revenue recognition

For the accounting policies related to revenue recognition, please refer to Note 4 (XV) of the Consolidated Financial Statements. For details of revenue, please refer to Note 6 (XX).

Explanation of key audit matters:

The Hi-Clearance Group is primarily involved in the purchase and sale of medical equipment and pharmaceuticals, as well as offering healthcare management consulting services. Revenue recognition is one of the critical assessment matters that performed in the audit of the financial report of Hi-Clearance Group, and it is expected to be a matter of concern to users or recipients of the report.

Audit procedures:

The CPAs perform the following key audit procedures regarding the aforementioned matters:

- Evaluate whether the revenue recognition policy of the Hi-Clearance Group is in accordance with International Financial Reporting Standard No. 15.
- Assess the efficacy of the design and implementation of the recognized internal control system for sales revenue.
- Review the current year's sales revenue and verify supporting documents to assess any material discrepancies.
- Reconcile certificates in the period before and after the selected balance sheet date, in order to record the appropriate cut-off date for evaluating sales revenue, etc.

Other Matters

We have also audited the Parent Company Only Financial Report of Hi-Clearance Inc. for the years 2024 and 2023, on which we have issued an unqualified opinion.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

To ensure that the Consolidated Financial Statements do not contain material misstatements caused by fraud or errors, management is responsible for preparing prudent Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the IFRS, IAS, law and regulation reviews and their announcements recognized and announced by the Financial Supervisory Commission, and for preparing and maintaining necessary internal control procedures pertaining to the Consolidated Financial Statements.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Consolidated Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for their audit 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 controls 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 internal controls of Hi-Clearance Group.
3. Assess the appropriateness of the accounting policies adopted by the management, as well as the reasonableness of their accounting estimates and relevant disclosures.
4. Conclude on the appropriateness of the 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 Hi-Clearance Group's ability to operate as a going concern. If material uncertainty is found, CPAs are required to draw attention in the audit report to related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify the audit 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 Hi-Clearance Group to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Consolidated Financial Statements (including relevant Notes), and whether the Consolidated Financial Statements fairly present relevant transactions and items.

6. Sufficient and appropriate audit evidence about the financial information of the Group's constituent entities shall be obtained in order to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the audit and for expressing an opinion on the Parent Company Only Financial Statements of Aurora Corporation.

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.

Those charged with governance are also provided with a statement that complies with relevant ethical requirements regarding independence, and the CPAs communicate with the governance unit all relationships and other matters that may affect their independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the key audit matters of Hi-Clearance Group's Consolidated Financial Statements for the year 2024. 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.

KPMG Taiwan

Yang, Shu-Chih

CPA:

Yu, Chi-Lung

Securities authorities approval document no. : Financial Supervisory Commission
Approval Letter No.. 1040003949
Securities and Futures Commission
Approval Letter No.0920122026

February 21, 2025

Hi-Clearance Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2024 and 2023

Unit: NT\$ thousand

Assets	2024.12.31		2023.12.31		Liabilities and equity	2024.12.31		2023.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Notes 6 (I))	\$ 414,865	8	401,137	9	2100 Short-term loans (Note 6 (XI) and Note 8)	\$ 367,987	7	91,565	2
1110 Financial assets at fair value through profit or loss - current (Note 6 (II))	22,561	-	51,966	1	2120 Financial liabilities at fair value through profit or loss - current (Note 6 (II))	-	-	240	-
1150 Net amount of notes receivable (Notes 6 (IV), (XX) and Note 8)	183,794	4	229,978	5	2130 Contract liabilities - current (Note 6 (XX))	19,604	-	13,920	-
1170 Net amount of accounts receivable (Notes 6 (IV), (XX))	957,359	19	919,622	20	2150 Notes payable	6,260	-	7,521	-
1180 Net amount of accounts receivable - related parties (Notes 6 (IV), (XX) and Note 7)	59,804	1	85,080	2	2170 Accounts payable	655,695	13	681,169	15
1197 Net amount of financial leases receivable (Notes 6 (IV), (XX))	36,133	1	39,337	1	2180 Accounts payable - related parties (Note 7)	1,020	-	2,282	-
1200 Other receivables	2,936	-	1,341	-	2200 Other payables - others	174,610	4	184,597	4
1300 Inventory (Note 6 (V))	671,681	14	645,457	14	2220 Other payables - related parties (Note 7)	13,726	-	14,665	-
1410 Prepayments	23,263	-	69,183	1	2230 Current income tax liabilities	57,746	1	29,218	1
1476 Other financial assets - current (Note 8)	108,102	2	58,895	1	2280 Lease liabilities - current (Note 6 (XIII))	78,769	2	71,364	2
1479 Other current assets - others	4,297	-	7,892	-	2300 Other current liabilities - others	27,090	1	26,516	1
Total current assets	2,484,795	49	2,509,888	54	Total current liabilities	1,402,507	28	1,123,057	25
Non-current assets:					Non-current liabilities:				
1517 Financial assets at fair value through other comprehensive income - non-current (Note 6 (III))	12,010	-	268	-	2527 Contract liabilities - non-current (Note 6 (XX))	26,922	1	18,713	-
1550 Investments accounted for using the equity method (Note 6 (VI))	123,835	2	116,390	3	2540 Long-term loans (Note 6 (XII))	-	-	12,357	-
1600 Property, plant, and equipment (Note 6 (VII) and 8)	1,272,551	26	1,061,550	23	2570 Deferred income tax liabilities (Note 6 (XVI))	8,747	-	8,372	-
1755 Right-of-use assets (Note 6 (VIII))	571,407	12	519,455	11	2580 Lease liabilities - non-current (Note 6 (XIII))	518,630	10	469,455	10
1760 Investment property (Note 6 (IX))	26,092	1	26,101	1	2600 Other non-current liabilities (Note 6 (XV))	1,661	-	2,063	-
1780 Intangible assets (Note 6 (X))	174,187	4	188,979	4	Total non-current liabilities	555,960	11	510,960	10
1840 Deferred tax assets (Note 6 (XVI))	5,612	-	4,917	-	Total liabilities	1,958,467	39	1,634,017	35
1930 Long-term notes receivable (Notes 6 (IV), (XX) and Note 8)	10,011	-	7,168	-	Equity (Note 6 (XVII)):				
194D Net amount of long-term financial leases receivable (Notes 6 (IV), (XX))	109,945	2	96,086	2	3110 Capital stock	445,210	9	445,210	10
1990 Other Non-Current Assets - Miscellaneous (Notes 6 (XV), 7, and 9)	169,945	4	87,083	2	3200 Capital surplus	1,601,988	33	1,601,988	35
Total non-current assets	2,475,595	51	2,107,997	46	3300 Retained earnings	992,317	20	943,984	20
					3400 Other equity	(37,592)	(1)	(7,314)	-
					Total equity	3,001,923	61	2,983,868	65
Total assets	\$ 4,960,390	100	4,617,885	100	Total liabilities and equity	\$ 4,960,390	100	4,617,885	100

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

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

		<u>2024</u>		<u>2023</u>	
		Amount	%	Amount	%
4000	Operating revenue (Note 6 (XIV), (XX) and Note 7)	\$ 4,072,811	100	3,895,778	100
5000	Operating costs (Notes 6 (V), (XV), Note 7, and Note 12)	3,002,367	74	2,879,984	74
	Gross profit	1,070,444	26	1,015,794	26
	Operating expenses (Notes 6 (IV), (XV), (XVIII), Note 7, and Note 12):				
6100	Selling and marketing expenses	382,088	9	341,812	9
6200	General and administrative expenses	260,483	6	258,742	7
6450	Expected credit loss	1,076	-	8,696	-
	Total operating expenses	643,647	15	609,250	16
	Net operating income	426,797	11	406,544	10
	Non-operating income and expenses:				
7100	Interest income (Note 6 (XXII))	10,038	-	11,555	-
7010	Other income (Note 6 (XXII) and Note 7)	14,149	-	8,617	-
7020	Other gains and losses (Note 6 (XXII))	6,128	-	9,403	-
7050	Financial costs (Notes 6 (XIII) and (XXII))	(13,812)	-	(12,440)	-
7060	Share of profit or loss of affiliates and joint ventures accounted for using the equity method (Note 6 (VI))	11,763	-	10,626	-
	Total non-operating income and expenses	28,266	-	27,761	-
7900	Income before tax	455,063	11	434,305	10
7950	Deduction: Income tax expenses (Note 6 (XVI))	95,375	2	86,321	1
	Net income for the period	359,688	9	347,984	9
8300	Other comprehensive income:				
8310	Components that will not be reclassified to profit or loss				
8311	Gains (losses) on re-measurements of defined benefit plans (Note 6 (XV))	292	-	(581)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(33,258)	(1)	(669)	-
	Total components not reclassified to profit or loss	(32,966)	(1)	(1,250)	-
8360	Components that may be reclassified to profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations	2,980	-	(1,869)	-
	Total components that may be reclassified to profit or loss	2,980	-	(1,869)	-
8300	Other comprehensive income (net after tax)	(29,986)	(1)	(3,119)	-
	Total comprehensive income for the period	<u>\$ 329,702</u>	<u>8</u>	<u>344,865</u>	<u>9</u>
	Earnings per share (NT\$) (Note 6 (XIX))				
9750	Basic earnings per share (NT\$)	<u>\$ 8.08</u>		<u>8.01</u>	
9850	Diluted earnings per share (NT\$)	<u>\$ 8.07</u>		<u>7.98</u>	

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

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to December 31, 2024 and 2023

Unit: NTS thousand

	Retained Earnings					Other Equity Items				Total Equity
	Capital Stock - Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translation of Financial Statements of Foreign Operations	Gains (losses) on investments in equity instruments at fair value through other comprehensive income	Others	
Balance as of January 1, 2023	\$ 405,210	1,130,866	362,933	5,569	539,726	908,228	(4,776)	-	-	2,439,528
Appropriation and distribution of earnings:										
Appropriation of legal reserve	-	-	37,389	-	(37,389)	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(311,647)	(311,647)	-	-	-	(311,647)
Reversal of special reserve	-	-	-	(793)	793	-	-	-	-	-
Modifications to other capital reserves:										
Receipt of donation	-	28	-	-	-	-	-	-	-	28
Net income for the period	-	-	-	-	347,984	347,984	-	-	-	347,984
Other comprehensive income for the period	-	-	-	-	(581)	(581)	(1,869)	-	(669)	(3,119)
Total comprehensive income for the period	-	-	-	-	347,403	347,403	(1,869)	-	(669)	344,865
Cash capital increase	40,000	458,750	-	-	-	-	-	-	-	498,750
Share-based payment transactions	-	12,344	-	-	-	-	-	-	-	12,344
Balance as of December 31, 2023	445,210	1,601,988	400,322	4,776	538,886	943,984	(6,645)	-	(669)	2,983,868
Appropriation and distribution of earnings:										
Appropriation of legal reserve	-	-	34,740	-	(34,740)	-	-	-	-	-
Appropriation of special reserve	-	-	-	1,869	(1,869)	-	-	-	-	-
Cash dividends of common stock	-	-	-	-	(311,647)	(311,647)	-	-	-	(311,647)
Net income for the period	-	-	-	-	359,688	359,688	-	-	-	359,688
Other comprehensive income for the period	-	-	-	-	292	292	2,980	(33,258)	-	(29,986)
Total comprehensive income for the period	-	-	-	-	359,980	359,980	2,980	(33,258)	-	329,702
Balance as of December 31, 2024	\$ 445,210	1,601,988	435,062	6,645	550,610	992,317	(3,665)	(33,258)	(669)	3,001,923

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

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to December 31, 2024 and 2023

Unit: NT\$ thousand

	2024	2023
Cash flows from operating activities:		
Income before tax for the period	\$ 455,063	434,305
Adjustment items:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	162,331	151,174
Amortization expenses	16,623	13,583
Expected credit loss	1,076	8,696
Gain on financial assets at fair value through profit or loss	(3,544)	(596)
Interest expenses	13,812	12,440
Interest income	(10,038)	(11,555)
Share-based remuneration cost	-	12,344
Share of profit of associates and joint ventures accounted for using the equity method	(11,763)	(10,626)
Loss (gain) on disposal of property, plant, and equipment	3,408	(608)
Gains on lease modifications	(896)	(44)
Derecognition of provisions	-	(402)
Total adjustments to reconcile profit (loss)	171,009	174,406
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	32,728	68
Decrease (increase) in notes receivable	43,781	(19,116)
Increase (decrease) in accounts and financial leases receivable	(49,942)	(69,022)
Decrease in accounts receivable - related parties	25,276	29,426
Decrease (increase) in other receivables	(1,595)	4,784
Decrease (increase) in inventory	(63,933)	57,470
Decrease (increase) in prepayments	45,920	(31,093)
Decrease (increase) in other current assets	3,595	(3,356)
Increase in other financial assets	(49,207)	(16,630)
Increase in operating assets	(7,210)	(1,544)
Total net changes in assets related to operating activities	(20,587)	(49,013)
Decrease in financial liabilities at fair value through profit or loss	(19)	(489)
Increase in contractual liabilities	13,893	6,394
Decrease in notes payable	(1,261)	(104)
Decrease in accounts payable	(25,474)	(18,619)
Increase (decrease) in payables to related parties	(1,262)	970
Decrease in other payables	(9,987)	(11,391)
Decrease in other payables - related parties	(939)	(7,247)
Increase in other current liabilities	574	10,473
Increase (decrease) in net defined benefit liabilities	50	(5,606)
Total net changes in liabilities related to operating activities	(24,425)	(25,619)
Total net changes in assets and liabilities related to operating activities	(45,012)	(74,632)
Total adjustment items:	125,997	99,774
Cash inflows from operations	581,060	534,079
Interest received	10,038	11,555
Interest paid	(13,812)	(12,440)
Income tax paid	(67,167)	(99,706)
Net cash inflow from operating activities	510,119	433,488
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(45,000)	-
Acquisition of property, plant, and equipment	(243,241)	(41,044)
Disposal of property, plant, and equipment	4,392	2,917
Increase in refundable deposits	(62,862)	(48,379)
Decrease in refundable deposits	52,292	39,056
Intangible asset acquisition	(1,831)	(2,381)
Prepaid intangible assets	(45,714)	-
Increase in prepayments for equipment	(39,500)	(20,906)
Dividends received from affiliated companies	4,274	4,289
Net cash outflow from investing activities	(377,190)	(66,448)
Cash flows from financing activities:		
Increase in short-term loans	1,967,987	1,111,565
Decrease in short-term loans	(1,691,565)	(1,515,332)
Repayments of long-term loans	(12,781)	-
Increase in guarantee deposits received	12,109	12,269
Decrease in guarantee deposits received	(12,269)	(12,109)
Lease principal payment	(74,159)	(71,936)
Cash dividends paid	(311,647)	(311,647)
Cash capital increase	-	498,750
Net cash outflow from financing activities	(122,325)	(288,440)
Effects of exchange rate changes on the balance of cash held in foreign currencies	3,124	(1,683)
Increase in cash and cash equivalents during the period	13,728	76,917
Cash and cash equivalents at beginning of period	401,137	324,220
Cash and cash equivalents at end of period	\$ 414,865	401,137

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

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc. and Subsidiaries
Notes to Consolidated Financial Statements
2024 & 2023

(Unless otherwise specified, all amounts are in NT\$ thousand)

I. Company History

Hi-Clearance Inc. (hereinafter referred to as "the Company") was established on February 13, 1989, with the approval of the Ministry of Economic Affairs. The Company's registered address is 8F.-2, No. 2, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City, Taiwan (R.O.C.) Primary business activities of the Company and its subsidiaries (the Consolidated Companies) involve trading medical equipment, biochemical reagents, and Western medicine, as well as providing medical management consulting services.

II. Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization

The Consolidated Financial Statements have been approved for release by the Board of Directors on February 21, 2025.

III. Application of New and Amended Standards and Interpretations

(I) The impact of adopting the newly issued and revised criteria and interpretations approved by the Financial Supervisory Commission

Since January 1, 2024, the Consolidated Companies have been implementing the newly revised International Financial Reporting Standards (IFRSs), which has not significantly impacted the Consolidated Financial Statements.

- Amendments to IAS 1 "Classify Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liabilities in Sale and Leaseback Transactions"

(II) Impact of IFRSs not yet recognized by the FSC

The Consolidated Companies assessed that the application of the following newly revised IFRSs, effective January 1, 2025, would not have a material impact on the Consolidated Financial Statements.

- Amendments to IAS 21 "Lack of Exchangeability"

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(III) New and amended standards and interpretations not yet recognized by FSC

The International Accounting Standards Board has issued and revised standards and interpretations that have not yet been approved by the Financial Supervisory Commission. The following are the ones that may be relevant to the Consolidated Companies:

New or Amended Standards	Main Content for Amendments	Effective Date of Issuance by the IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	The new standards introduce three categories of income and expenses, two subtotals on the income statement, and a single note regarding management performance measurement. These three amendments and enhancements to the guidance on segmenting information in financial statements lay the foundation for providing users with improved and consistent information, and will have an impact on all companies.	January 1, 2027
IFRS 18 "Presentation and Disclosure in Financial Statements"	<ul style="list-style-type: none"> • A more structured income statement: The company currently uses various formats to express its financial performance, which makes it challenging for investors to compare the financial performance of different companies. The new standards have implemented a more structured income statement. They have introduced a new subtotal called "operating profit" and require that all revenues and expenses be classified into three new categories based on the company's main business activities. • Management Performance Measures (MPM): The new criteria introduce the concept of management performance measures. Companies are now required to provide an explanation, in a single note in the financial statements, regarding the usefulness of each measurement indicator, its calculation method, and how it is adjusted for amounts recognized in accordance with international financial reporting standards and accounting principles. • More detailed information: The new standards provide instructions on how companies can improve the organization of information in financial statements. This guidance includes determining whether the information should be included in the primary financial statements or further detailed in the notes. 	January 1, 2027

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

The Consolidated Companies is currently assessing the effects of the aforementioned criteria and interpretations on its financial condition and operating results. The relevant findings will be disclosed once the evaluation is complete.

The Consolidated Companies do not expect the following new releases and amendments to standards, that have yet to be endorsed by the FSC, to have a material impact on the Consolidated 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
- 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
- IFRS 9 and amendments to IFRS 7 "Nature-Linked Electricity Contracts"

IV. Summary of Significant Accounting Policies

Significant accounting policies adopted in the Consolidated Financial Statements: Unless stated otherwise, the following accounting policies have been applicable for all reporting periods of this Consolidated Financial Statements.

(I) Compliance declaration

The Consolidated Financial Statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "Regulations") and the International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee, as endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC-endorsed International Financial Reporting and Accounting Standards").

(II) Preparation basis

1. Basis of measurement

The Consolidated Financial Statements were prepared based on historical cost, with the exception of the following significant balance sheet items:

- (1) Financial assets that are measured at fair value through profit or loss;
- (2) Financial assets that are measured at fair value through other comprehensive income;

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(3) Net defined benefit assets that are calculated by deducting the present value of defined benefit obligations from the fair value of retirement fund assets.

2. Functional currency and presentation currency

The functional currency of each entity of the Consolidated Companies is the currency of the primary economic environment in which it operates. The Consolidated Financial Statements are presented in NT\$, the Company's functional currency. All financial information expressed in NT\$ is denominated in units of NT\$ thousand.

(III) Basis of consolidation

1. Preparation principles of the Consolidated Financial Statements

Subject of the Consolidated Financial Statements includes the Company and entities under its control (subsidiaries). The Company controls the investee entity when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Once control over a subsidiary is acquired, its financial reports are included in the Consolidated Financial Statements until control is relinquished. Intercompany transactions, balances, and any unrealized gains and losses have been eliminated in full during the preparation of the Consolidated Financial Statements. The comprehensive income of subsidiaries are attributed to the Company's owners and non-controlling interests, respectively, even if the non-controlling interests become a deficit balance as a result.

The financial statements of subsidiaries have been appropriately restructured to conform to the accounting policies used by the Consolidated Companies.

Changes in the Consolidated Companies' ownership interest in subsidiaries that do not result in a loss of control over the subsidiaries are accounted for as equity transactions between owners. Adjustments of non-controlling interests and differences between the amount paid or received, and fair value are directly recognized in equity and are attributed to the owners of the Company.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

2. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the Consolidated Financial Statements:

Name of Investor	Name of Subsidiary	Nature of Business	Percentage of Shareholding		Description
			2024.12.31	2023.12.31	
The Company	Succeed Agents Limited (B.V.I.) (referred to as "SA company")	Financial holding and investment	100.00%	100.00%	
The Company	Renalysis Medical Care Co., Ltd.	Medical management consulting services	100.00%	100.00%	
The Company	XinFu Healthcare Corp.	Medical management consulting services	100.00%	100.00%	Note 1
The Company	Sin Hwa Co., Ltd.	Medical equipment trade	100.00%	100.00%	
The Company	Sin Hwa Investment Co., Ltd.	Financial holding and investment	100.00%	100.00%	
The Company	HC Healthcare Co., Ltd.	Medical management consulting services and medical equipment trading	100.00%	100.00%	
SA company	PT Hiclearance Medical Indonesia (referred to as "HMI company")	Medical equipment trade	100.00%	100.00%	
SA company	Moral Well Co., Ltd. (referred to as "MW company")	Financial holding and investment	100.00%	100.00%	
MW company	Taicha Medical Corp. (Shanghai)	International trade and re-export trade	100.00%	100.00%	

Note 1: On November 8, 2024, the Board of Directors of XinFu Healthcare Corp. approved the liquidation process. As of December 31, 2024, the relevant liquidation procedures have not been completed.

3. Subsidiaries not included in the Consolidated Financial Statements: None.

(IV) Foreign Currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the rate of exchange on the transaction date. At the end of each subsequent reporting period (the reporting date), monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at that date. Foreign non-monetary items measured at fair value are converted into the functional currency using the exchange rate on the fair value measurement date, and non-monetary items measured at historical cost are converted using the exchange rate on the transaction date.

Foreign exchange differences arising on translation are generally recognized in profit or loss, except for equity instruments at fair value through other comprehensive income, which are recognized in other comprehensive income.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

2. Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments generated at the time of acquisition, are translated into NT\$ at the exchange rate on the reporting date. Income and expense items are translated into NT\$ at the average exchange rate for the period, and any exchange differences are recognized as other comprehensive income.

When the disposal of a foreign operation results in a loss of control, joint control or significant influence, the cumulative translation differences related to the foreign operation are reclassified in full to profit or loss. When disposing of a portion of an investment in a subsidiary that includes foreign operations, the related cumulative translation differences are proportionately reclassified to non-controlling interests. When disposing of a portion of an investment in an associate or joint venture that includes foreign operations, the related cumulative translation differences are reclassified to profit or loss in proportion to the disposal.

Foreign currency translation gains or losses on monetary receivables or payables from foreign operations that have no settlement plans, and are unlikely to be settled in the foreseeable future, are recognized in other comprehensive income as part of the net investment in foreign operations.

(V) Standards for categorization of assets and liabilities classified as current and non-current

Assets that meet one of the following criteria are classified as current assets, and all other assets that are not current assets are classified as non-current assets.

1. The asset is expected to be realized in the normal operating cycle, or is intended to be sold or consumed;
2. The asset is held primarily for trading purposes;
3. The asset is expected to be realized within twelve months of the reporting period;
or
4. The asset is cash or cash equivalents (as defined in IAS 7) unless there are restrictions on the exchange or settlement of the asset at least twelve months after the reporting period.

Liabilities that meet one of the following criteria are classified as current liabilities, and all other liabilities that are not current liabilities are classified as non-current liabilities.

1. The liability is expected to be settled in the normal operating cycle;
2. The liability is held primarily for trading purposes;

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

3. The liability is settled within twelve months of the reporting period; or
4. During the reporting period, there is no obligation to postpone the repayment of the debt for a minimum of twelve months following the end of the reporting period.

(VI) Cash and cash equivalents

Cash comprises both cash on hand and demand deposits. Cash equivalents are short-term investments that can be easily converted into a fixed amount of cash with minimal risk of value fluctuation and high liquidity. Term deposits that meet the defined criteria and are held to fulfill short-term cash obligations, rather than for investment or other purposes, should be classified as cash equivalents.

(VII) Financial instruments

Accounts receivable and debt securities issued are recognized upon incurrence. The Company recognizes all other financial assets and liabilities upon entering a financial instrument contract. Financial assets or financial liabilities that are measured at fair value through profit or loss are initially valued at fair value, which includes directly attributable transaction costs incurred during their acquisition or issuance.

1. Financial assets

The Consolidated Companies apply consistent accounting treatment for the purchase and sale of financial assets that in line with customary transactions. For all purchases and sales of financial assets classified in the same manner, this treatment is based on either the transaction date or settlement date.

Financial assets at initial recognition are classified financial assets at amortized cost, and investments in equity instruments at fair value through other comprehensive income, or financial assets at fair value through profit or loss. If there is a change in the operating model for managing financial assets, the Consolidated Companies shall reclassify all affected financial assets at the beginning of the next reporting period.

(1) Financial assets at amortized cost

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

- The financial asset is held under a business model whose objective is to collect the contractual cash flows.
- The contractual terms of the financial asset generate cash flows on a specific date that are solely payments of principal and interest on the outstanding principal amount.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

These assets are then measured at the original recognized amount, adding/deducting the cumulative amortization calculated with the effective interest method, and adjusted for the amortized cost of any loss allowances. Interest income, foreign currency exchange gains and losses, and impairment losses are recognized in profit or loss. Gains or losses are recognized in profit or loss when they are derecognized.

(2) Financial assets at fair value through other comprehensive income

At the time of initial recognition, the Consolidated Companies have the irrevocable option to report any subsequent fair value changes of equity instruments classified as non-held-for-trading in other comprehensive income. The selection mentioned above is made on a tool-by-tool basis.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized in the income statement, unless it clearly represents the recovery of a portion of the investment cost. The remaining net gain or loss is recognized in other comprehensive income, and is not reclassified to profit or loss.

The Consolidated Companies recognize dividend income from equity investments on the date they are entitled to receive dividends, which is typically the ex-dividend date.

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

Financial assets not classified as financial assets at amortized cost as described above, or at fair value through other comprehensive income, are measured at fair value through profit or loss, including derivative financial assets. At initial recognition, the Consolidated Companies may irrevocably designate financial assets that meet the criteria for measurement at amortized cost, or at fair value through other comprehensive income, as financial assets at fair value through profit or loss, in order to eliminate or materially reduce accounting misalignment.

These assets are then valued at fair value, and any net profit or loss (including dividend and interest income) is recorded in the income statement.

(4) Evaluate whether the contract cash flows are solely payments of principal and interest on the principal amount outstanding

For assessment purposes, principal is the fair value of the financial assets at the time of initial recognition, and interest is comprised of the following consideration: time value of money, credit risk associated with outstanding

principal during a specific period, other fundamental loan risks, and cost and profit margins.

To assess whether contractual cash flows are solely payments of principal and interest on outstanding principal amounts, the Consolidated Companies consider the contractual terms of financial instruments, including assessing whether the financial asset contains contractual terms that could alter the timing or amount of contract cash flows, potentially leading to non-compliance with this condition. During the evaluation, the Consolidated Companies took into consideration the following factors:

- Any unforeseen circumstances that could alter the timing or amount of contractual cash flows;
- Terms that may adjust the coupon rate, including the characteristics of the variable interest rate;
- Prepayment and deferral features; and
- The Consolidated Companies' claims are limited to the terms of cash flows from specific assets (e.g., non-recourse features).

(5) Impairment of financial assets

The Consolidated Companies acknowledge the anticipated credit losses for financial assets that are valued at amortized cost. These assets include cash and cash equivalents, accounts receivable, other receivables, receivable financing lease payments, deposits used as collateral, and other financial assets.

Loss allowance for the following financial assets are measured based on expected credit losses over a twelve-month period, while the remaining assets are measured based on expected credit losses over their remaining lifetime.

- The credit risk of bank deposits (i.e., risk of default over the expected life of the financial instruments) has not increased significantly since initial recognition.

Allowance for losses on accounts receivable is measured by the amount of expected credit losses during the period.

The Consolidated Companies review the financial instruments' contractual terms to ensure cash flows are only principal and interest payments, and verify if any terms could alter these flows, affecting their compliance.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

Expected credit loss during the holding period refers to the estimated loss that may occur due to potential defaults on financial instruments throughout the anticipated holding period.

Twelve-month expected credit losses are expected credit losses arising from probable defaults on financial instruments within twelve months of the reporting date (or earlier, if the expected duration of the financial instrument is shorter than twelve months).

The maximum period for measuring expected credit losses is the longest contractual period during which the Consolidated Companies are exposed to credit risk.

Expected credit loss refers to the weighted estimate of credit loss over the expected life of financial instruments. Credit losses are determined by the present value of expected cash flow discrepancies, which is the variance between contractual and anticipated cash receipts. Expected credit losses are discounted at the effective interest rate of the financial assets.

Loss allowance on financial assets measured at amortized cost is deducted from the carrying amount of the asset.

When the Consolidated Companies anticipate that they will not recover financial assets in full or in part, the carrying value of those assets are directly reduced. The Consolidated Companies conduct a detailed analysis of the timing and amount of write-offs by taking into consideration their expected recoverability. The Consolidated Companies do not anticipate a material reversal of the amounts written-off. However, financial assets that have been written off remain enforceable to comply with the Consolidated Companies' procedures for recovering overdue amounts.

(6) Derecognition of financial assets

The Consolidated Companies derecognize financial assets when the contractual rights to the cash flow from the said financial assets are terminated, or when the Consolidated Companies have transferred almost all the risks and rewards of ownership of the financial assets to other enterprises, or when risks and rewards of ownership are neither transferred nor retained, and the Consolidated Companies also do not retain control of the financial assets.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The Consolidated Companies classifies their debt and equity instruments as either financial liabilities or equity, depending on the nature of the contractual agreements and the definition of financial liabilities and equity instruments.

(2) Equity transaction

Equity instruments are contracts that acknowledge the remaining equity of the Consolidated Companies once all liabilities have been deducted from its assets. The Consolidated Companies recognize the equity instruments at the amount obtained after deducting the direct issuance costs.

(3) Compound financial instruments

Compound financial instruments issued by the Consolidated Companies are convertible bonds (denominated in NT\$) that holders have the option to convert into capital stock, and the number of shares issued does not vary with changes in fair value.

Liabilities of compound financial instruments are initially recognized at the fair value of similar liabilities excluding equity conversion rights. The initial recognition amount of equity components is calculated by subtracting the fair value of liability components from that of the overall compound financial instruments. Directly attributable transaction costs are allocated to components of liabilities and equity in proportion to the carrying amounts of the original liabilities and equity.

Following initial recognition, liability components of compound financial instruments are measured at amortized cost using the effective interest method. Equity components of compound financial instruments should not be revalued after initial recognition.

Interest related to financial liabilities is recognized in profit or loss. Upon conversion, financial liabilities are reclassified as equity, and no gains or losses shall be recognized.

(4) Financial liabilities

Financial liabilities are classified as either at amortized cost or at fair value through profit or loss. Financial liabilities that are held for trading, derivatives, or designated at initial recognition are classified as being measured at fair value through profit or loss. Financial liabilities that are

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

measured at fair value through profit or loss are recognized at their fair value. Any associated net income and losses, including interest expenses, are also recognized in the income statement.

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

(5) Derecognition of financial liabilities

The Consolidated Companies derecognize financial liabilities when contractual obligations have been executed, canceled or expired. When the terms of a financial liability are modified and the cash flows of the modified liability are materially different, the original financial liability is derecognized, and a new financial liability is recognized at fair value based on the modified terms.

When a financial liability is derecognized, the difference between its carrying amount and the total consideration payable (including any non-cash assets transferred or liabilities assumed), is recognized in profit or loss.

(6) Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and presented as net amounts on the balance sheet only when the Consolidated Companies have the legal right to offset and intend to settle the assets and liabilities simultaneously or through net settlement.

3. Derivative financial instruments and hedge accounting

The Consolidated Companies hold derivative financial instruments to hedge foreign currency and interest rate risks. Embedded derivatives are separated from the host contract when certain conditions are met and the host contract is not a financial asset.

Derivatives are initially recognized at fair value and are subsequently measured at fair value, with gains or losses arising from remeasurement recognized directly in profit or loss.

(VIII) Inventories

Inventory is valued based on the lowering of cost or net realizable value. Costs include acquisition and other costs necessary to make the item available for use at a specific location and in a specific condition, and are calculated using the weighted average method.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

Net realizable value is the estimated selling price in the ordinary course of business deducting the estimated costs necessary to complete the sale.

(IX) Investments in associates

Affiliated companies are entities over which the Consolidated Companies exercise significant influence over the financial and operating policies, but over which do not have control or joint control.

The equity method is used to account for the consolidated interest in affiliates. According to the equity method, initial acquisition is recognized at cost, which includes transaction costs. Carrying amounts of investments in affiliated companies includes the goodwill recognized at the time of the initial investment, deducting any accumulated impairment losses.

The Consolidated Financial Statements recognize the profit and loss and other comprehensive income of each investment associate company by the Consolidated Companies, based on the equity ratio. This recognition is done from the date of significant influence until the date of loss of significant influence, after making adjustments that are consistent with the Consolidated Companies' accounting policies. When equity changes occur in an associate due to items of other comprehensive income that do not affect the Consolidated Companies' shareholding ratio, the Consolidated Companies recognize equity changes as capital surplus based on its shareholding ratio.

Unrealized gains and losses resulting from transactions between the Consolidated Companies and their associates are recognized in the financial statements only when the profits and losses are irrelevant to investor interests in the associates. If the Consolidated Companies' share of losses in associates equals or exceeds its equity in those enterprises, the Company no longer recognizes those losses, and instead recognizes only additional losses and related liabilities that fall within the scope of legal obligations, presumed obligations, or payments made on behalf of the investee.

(X) Investment properties

Investment properties are properties that are held with the intention of generating rental income, capital appreciation, or both, rather than for regular business sales, production, provision of goods or services, or administrative management purposes. Investment properties are initially recorded at cost and subsequently valued at cost minus accumulated depreciation and impairment. The depreciation method, useful life, and residual value of these assets are determined based on the guidelines for property, plant, and equipment.

The rental income generated from investment properties is classified as non-operating income and is recognized over the lease term using the straight-line method.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

If the purpose of investment properties changes and reclassification of real estate, factories, and equipment is necessary, the carrying amount at the time of the change in purpose should be reclassified.

(XI) Property, plant, and equipment

1. Recognition and measurement

Items of property, plant and equipment are measured at cost (including capitalized borrowing costs) and subtracting accumulated depreciation and any accumulated impairment.

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

Gains or losses on the disposal of property, plant and equipment are recognized in profit or loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when it is probable that future economic benefits will flow to the Consolidated Companies.

3. Depreciation

Depreciation is calculated by subtracting the residual value from the asset cost, and is and is recognized in profit or loss on a straight-line basis over the estimated useful life of each component.

Land does not depreciate.

Estimated durability for the current period and the comparative period:

(1) Housing and construction: 10-56 years

(2) Transportation equipment: 5-8 years

(3) Office equipment: 3-15 years

(4) Rental assets: 3-10 years

The Consolidated Companies review the depreciation method, durability and residual values at each reporting date and makes adjustments when necessary.

4. Reclassification of investment properties

If a property previously used for personal purposes is converted into an investment property, it is reclassified as an investment property with the carrying amount determined at the time of conversion.

(XII) Leases

Upon establishment, the Consolidated Companies evaluate whether a contract is or contains a lease by determining whether the contract involves the transferring of control of the identified asset for a specified period in exchange for consideration.

1. Lessee

The Consolidated Companies recognize the right-of-use assets and lease liabilities on the lease commencement date. The right-of-use assets are initially measured at cost, which includes the initial measurement amount of the lease liabilities. Any lease payments made before or on the lease commencement date are adjusted, along with any directly attributable costs incurred and the estimated costs of dismantling, removing the underlying assets, and restoring the location or the underlying assets. Any lease incentives received are deducted.

Right-of-use assets shall subsequently be depreciated on a straight-line basis from lease commencement date to the end of the useful life of the rights of use, or end of the lease term. Furthermore, the Consolidated Companies regularly assess right-of-use assets for impairment, address any losses, and adjust these assets with lease liability remeasurements as needed.

Lease liabilities are measured initially at the present value of outstanding lease payments as of the lease commencement date. The lease discount rate is the implied interest rate if ascertainable; otherwise, incremental borrowing rate is used. In general, the Consolidated Companies use the incremental borrowing rate as the discount rate.

Lease liabilities include fixed payments, including in-substance fixed payments.

Interest on lease liabilities is recognized using the effective interest method and is remeasured under the following circumstances:

- (1) Changes in the index or rate used to determine lease payments resulting in changes in future lease payments;
- (2) Changes in the expected payment amount of residual value guarantee;
- (3) The assessment of the lease term is affected by changes in the estimate of whether to exercise the option to extend or terminate the lease;
- (4) Modification of the leasing object, scope, or other terms.

Lease liabilities are remeasured when there are changes in the index or rate determining lease payments, in the guaranteed residual value, or in the assessment of purchase, extension, or termination options. Corresponding adjustments are

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

made to the carrying amount of the right-of-use assets, and any remaining remeasurement amounts are recognized in profit or loss once the carrying amount of the right-of-use assets is reduced to zero.

For lease modifications that reduce the scope of the lease, the carrying amount of the right-of-use asset is decreased to reflect partial or full termination of the lease. The difference between this adjusted carrying amount and the remeasured lease liability is recognized in profit or loss.

Right-of-use assets and lease liabilities that do not meet the definition of investment property are presented as separate line items on the balance sheet.

The Consolidated Companies have elected not to recognize right-of-use assets and lease liabilities for short-term leases such as office spaces, warehouses, computer information equipment, and leases of low-value subject assets; instead, the related lease payments are recognized as expenses on a straight-line basis over the lease term.

2. Lessor

For transactions in which the Consolidated Companies are the lessor, the lease contract is classified at the inception date based on whether or not most of the risks and rewards incidental to ownership of the subject asset is transferred; if so, the lease contract is classified as a finance lease; if not, it is classified as an operating lease. In the assessment, the Consolidated Companies consider specific indicators, including whether the lease term covers a significant portion of the economic life of the subject asset.

When the Consolidated Companies are also the sublease lessor, it accounts for the head lease and the sublease as distinct transactions. Subleases are classified by referencing the right-of-use assets arising from the head lease. If the head lease is a short-term lease and meets the criteria for recognition exemption, the sublease transaction shall be categorized as an operating lease.

If the agreement contains lease and non-lease components, the Consolidated Companies shall allocate consideration in the contract according to IFRS 15.

Assets held under finance leases are expressed as finance lease receivables at the amount of net investment in the lease. Initial direct costs incurred in negotiating and arranging operating leases are included in net investment in leases. Net investment in leases is recognized as interest income over the lease term in a manner that reflects a constant rate of return. For operating leases, the Consolidated Companies recognize lease payments received on a straight-line basis as rental income over the lease term.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(XIII) Intangible assets

1. Recognition and measurement

Goodwill from the acquisition of subsidiary companies is determined by deducting accumulated impairment from costs.

Intangible assets with limited durability, including distributorships, are measured at their net amount, which is cost minus the accumulated amortization and impairment.

2. Subsequent expenses

Subsequent expenditures are capitalized only when they increase the future economic benefits of the specific asset involved. All additional expenses are recorded in the income statement at the time they are incurred.

3. Amortization

Except goodwill, amortization is calculated by subtracting the residual value from the asset cost, and is recognized as profit or loss over the estimated useful life of an intangible asset using the straight-line method when the asset is ready for use.

Estimated durability for the current period and the comparative period:

- (1) Dealership: 5-10 years
- (2) Distribution rights: 5 years
- (3) Computer Software: 5 years

The Consolidated Companies review the amortization method of intangible assets, durability and residual values at each reporting date and makes adjustments when necessary.

(XIV) Impairment of non-financial assets

The Company assesses daily, during each reporting period, whether there are any indicators that suggest the carrying amount of non-financial assets (excluding inventory, deferred income tax assets, and assets generated by employee benefits) may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Goodwill undergoes annual impairment testing.

For the purpose of impairment testing, a group of assets, for which cash inflows are largely independent of other individual assets or groups of assets, is the smallest identifiable asset group. Goodwill resulting from mergers is allocated to cash-

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

generating units, or groups of cash-generating units, that are expected to benefit from the mergers.

The recoverable amount is the higher of the fair value of an individual asset or cash-generating unit, minus cost of disposal and its value in use. In assessing value in use, estimated future cash flows are 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 cash-generating unit.

Impairment losses are recognized when the recoverable amount of individual assets or cash-generating units is lower than the carrying amount.

Impairment losses are immediately recognized in the income statement. After the carrying amount of amortized goodwill of a cash-generating unit is reduced, the carrying amounts of other assets within the unit shall be proportionally reduced.

Impairment losses on goodwill shall not be reversed. Impairment losses are recognized immediately in the income statement. If impairment losses of the asset were not recognized in previous years, any reversal of non-financial assets is limited within the carrying amount range (minus depreciation or amortization).

(XV) Revenue recognition

1. Revenue from contracts with customers

Revenue is calculated based on the consideration expected to be received as a result of the transfer of goods or services. Revenue of the Consolidated Companies is recognized when control over goods or services is transferred to the customer and the performance obligation has been satisfied. The Consolidated Companies' primary revenue sources:

(1) Sale of goods

The Consolidated Companies sell medical equipment and western medications to medical institutions or distributors. Revenue is recognized when control over goods is transferred. Product control transfers to the customer once they receive it and assume full control of its distribution and pricing, and there are no outstanding obligations that would affect their acceptance of the product. Delivery occurs when the goods are transported to a specified location, at which point the risks of obsolescence and loss are transferred to the customer, and the customer has accepted the goods in accordance with the sales contract, rendering the acceptance conditions ineffective, or the Consolidated Companies have objective evidence that all acceptance conditions have been satisfied.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

To certain customers who purchase medical equipment, the Consolidated Companies not only provide guarantees that meet the agreed specifications but also offers extended warranties ranging from one to five years. These contracts consist of two performance obligations, and the transaction price is allocated to each obligation based on their standalone selling prices. At the beginning of the contract, management estimate the individual selling price by selling the product separately to similar customers under similar circumstances and extending the warranty, using observable prices as a basis. The Consolidated Companies recognize revenue from service-type warranties on a straight-line basis over the warranty period. Payment will be collected at the same time as the medical equipment.

The Consolidated Companies recognize accounts receivable upon the delivery of goods, as they have an unconditional right to receive consideration at that time.

(2) Product maintenance, repair, and management consulting services

The Consolidated Companies offer maintenance for medical facility products and management consulting services, and recognizes the corresponding revenue in the reporting period for services provided. Revenue from fixed-price contracts is recognized at reporting date on the basis of the proportion of actual services rendered to total services, which is determined by the percentage of completed work to total expected work.

If changes occur, estimates for revenue, costs, and completion level will be revised accordingly. Any increase or decrease arising from the period during which management becomes aware of the changes and makes adjustments will be reflected in profit and loss.

Customers under a fixed price contract are obligated to make payments of a predetermined amount according to the agreed schedule. Contract assets are recognized when the services rendered exceed the payment, and contract liabilities are recognized when the payment exceeds the services rendered.

(3) Financial components

For certain contracts, the period between the transfer of goods or services under contract and payment for those goods or services does not exceed one year, and the Company does not account for the time value of money in the transaction price. For other contracts, the Consolidated Companies adjust the transaction price to account for the time value of money, reflecting the implicit significant financial benefit provided to customers.

(XVI) Employee benefits

1. Defined contribution plans

Obligations to a defined contribution plan are recognized as expenses during the period in which the employees render services.

2. Defined benefit plans

For each individual defined benefit plan, the Consolidated Companies calculate net obligation by discounting the present value of future benefit amounts earned by employees during the current or prior periods, and deducting any fair value of plan assets.

Benefit obligations are annually calculated by qualified actuaries using the projected unit benefit method. If the calculation results are advantageous to the Consolidated Companies, the recognition of assets is restricted to the present value of any economic benefits that can be obtained through a refund or a reduction in future contributions to the plan. When calculating the present value of economic benefits, minimum funding requirements should be taken into account.

The net remeasurement amount of defined benefit liabilities, which includes actuarial gains and losses, plan asset returns (excluding interest), and any changes in the asset ceiling (excluding interest), is promptly recognized in other comprehensive income and accumulated in retained earnings. The Consolidated Companies calculate the net interest expense (income) of the net defined benefit liability (asset) using the net defined benefit liability (asset) and discount rate determined at the start of the annual reporting period. Net interest expense and other expenses for defined benefit plans are recognized in profit or loss.

When a plan is amended or curtailed, the resulting changes in benefits related to past service costs or reduction gains or losses are recognized immediately in profit or loss. The Consolidated Companies recognize gains or losses of a defined benefit plan settlement when the settlement occurs.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses during the period in which the employees render services. If the Consolidated Companies have a present legal or constructive obligation to pay as a result of past services rendered by employees, and the obligation can be estimated reliably, the amount is recognized as a liability.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(XVII) Share-based payment transactions

Equity-settled share-based payment transactions are measured at the fair value of the equity instruments at the grant date, and expenses are recognized over the vesting period with a corresponding increase in equity. Recognized expenses are adjusted for the expected number of rewards to meet service conditions and non-market vesting conditions; the final amount recognized is based on the number of rewards that meet service conditions and non-market vesting conditions on the vesting date.

Non-vesting conditions relating to share-based rewards are reflected in the measurement of fair value on the grant date, and no verifiable adjustments are required for differences between expected and actual results.

(XVIII) Income tax

Income tax comprises both current and deferred income tax. Current and deferred income taxes are recognized in profit or loss, except for those related to business mergers or items recognized directly in equity or other comprehensive income.

Current income taxes include estimated income tax payables or receivables calculated using the current year's taxable income (loss) and any adjustments to income tax payables or receivables of the previous year. Amounts are based on best estimates of the amounts expected to be paid or received, measured by the statutory tax rate or tax rate under substantive legislation at the reporting date.

Deferred income tax is recognized for temporary differences between the carrying amounts of assets and liabilities at the reporting date and their tax bases. Temporary differences arising from the following are not recognized as deferred tax income:

1. Assets or liabilities that are not recognized to be part of a merger and that, at the time of the transaction, (i) do not affect the accounting profit or taxable income (loss) and (ii) do not give rise to equivalent taxable and deductible temporary differences.
2. Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the Consolidated Companies are able to control the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.
3. Taxable temporary differences arising from the initial recognition of goodwill.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

Deferred income tax assets are recognized for unused tax losses, unused income tax deductions carried forward, and deductible temporary differences, within the scope of future taxable income that is expected to be available for use. At each reporting date, the income tax benefit is adjusted by reducing it if it is unlikely to be realized, or past reduction is reversed if it's likely to be adequate for tax purposes.

Deferred income taxes are measured at the tax rates expected to apply if temporary differences were reversed, using either statutory tax rates or substantive legislative tax rates in effect at the reporting date.

The Consolidated Companies will offset deferred income tax assets and deferred income tax liabilities only when the following conditions are met:

1. The Consolidated Companies have statutory enforcement authority to offset current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are associated with one of the following taxpayers who are subject to income tax imposed by the same tax authority:
 - (1) The same taxpayer; or
 - (2) Different taxable entities which intend to settle current income tax liabilities and assets on a net basis in each future period where significant deferred tax assets are expected to be recovered, and significant deferred tax liabilities are expected to be settled, or where the assets are realized, and the liabilities are settled simultaneously.

(XIX) Earnings per share

The Consolidated Companies report both basic and diluted earnings per share of their common stockholders. Basic earnings per share of the Consolidated Companies is calculated by dividing net profit attributable to their common equity holders by weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting net profit attributable to the common equity holders of the Company and weighted average number of common shares outstanding, respectively, for potential dilution. Common shares with potential dilution of the Consolidated Companies include estimated employee remuneration and convertible bonds.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(XX) Segment Information

A business segment is a division of the Consolidated Companies that engages in operating activities that may generate revenues and incur expenses, including inter-company transactions with other segments of the Consolidated Companies. The operating results of all business segments are regularly reviewed by the consolidated company's chief operating decision-maker to inform decisions on resource allocation and to assess their performance. Every business segment has its own financial information.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

When preparing the Consolidated Financial Statements, management must make judgments and estimates regarding the future, including climate-related risks and opportunities, affecting the reported amounts of accounting policies, assets, liabilities, income, and expenses. Actual results may differ from the estimates.

Management is continuously reviewing estimates and underlying assumptions, which are consistent with the Consolidated Company's risk management and climate-related commitments. Changes in estimates are recognized during the period of change and deferred to the affected future periods.

No significant judgments are involved in the accounting policies used in the Consolidated Financial Statements, nor does it contain information that has a substantial impact on the recognized amounts.

With regards to the uncertainty surrounding assumptions and estimates, there is no significant risk of substantial adjustments in the upcoming year.

VI. Details of Significant Accounts

(I) Cash and cash equivalents

	<u>2024.12.31</u>	<u>2023.12.31</u>
Cash on hand	\$ 392	481
Demand deposits	350,173	311,156
Time deposits	64,300	89,500
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 414,865</u>	<u>401,137</u>

For the disclosure of interest rate risk and sensitivity analysis of the Consolidated Company's financial assets and liabilities, please refer to Note 6 (XXIII).

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

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

1. Details are as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Beneficiary certificate - fund	\$ 22,031	51,966
Forward foreign exchange contracts	<u>530</u>	<u>-</u>
Total	<u>\$ 22,561</u>	<u>51,966</u>
	<u>2024.12.31</u>	<u>2023.12.31</u>
Financial liabilities held for trading:		
Forward foreign exchange contracts	<u>\$ -</u>	<u>240</u>

2. Non-hedging derivative instruments

Derivative financial instrument transactions are undertaken to mitigate the exchange rate risk associated with business activities. The following is a detailed list of derivative instruments classified as financial assets measured at fair value through profit or loss and financial liabilities held for trading, which were not accounted for as hedging instruments by the Consolidated Companies:

	<u>2024.12.31</u>		
	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity Period</u>
Derivative financial liabilities:			
Forward foreign exchange contracts	JPY 403,429	NTD to JPY	2025.02.03~2025.04.24
	<u>2023.12.31</u>		
	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity Period</u>
Derivative financial liabilities:			
Forward foreign exchange contracts	USD 610	NTD to USD	2024.01.08~2024.02.15

3. As of December 31, 2024 and 2023, none of the Consolidated Companies' financial assets at fair value through profit or loss have been pledged as collaterals.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

4. Sensitivity analysis: price risk of beneficiary certificates-fund

Effect on the consolidated income items if the price of equity securities had changed at the reporting date (the same basis was used for both analyses, and assuming that other variables would remain unchanged):

Securities Price on Reporting Date	2024		2023	
	Other comprehensive income after tax	Profit/Loss After Tax	Other comprehensive income after tax	Profit/Loss After Tax
Increased by 1%	\$ -	220	-	520
Decreased by 1%	\$ -	(220)	-	(520)

(III) Financial assets at fair value through other comprehensive income

	2024.12.31	2023.12.31
Domestic unlisted (over-the-counter) stocks - Taiwan Depository & Clearing Corporation	\$ 268	268
Domestic unlisted (over-the-counter) stocks - EPED Inc.	11,742	-
Total	<u>\$ 12,010</u>	<u>268</u>

- The Consolidated Companies hold these investments in equity instruments as long-term strategic investments and not for trading purposes, therefore, they have been designated to be at fair value through other comprehensive income.
- In 2024 and 2023, the Consolidated Companies did not dispose of any strategic investments, and there were no transfers of accumulated gains and losses within the equity during that period.
- The above financial assets have not been pledged as collateral.

(IV) Accounts receivable, notes receivable, receivable financing lease payments, and collections

	2024.12.31	2023.12.31
Notes receivable	\$ 186,565	233,218
Long-term notes receivable	10,114	7,242
Accounts receivable	978,053	938,874
Receivables from related parties	59,804	85,080
Finance lease receivables	36,498	39,734
Long-term finance lease receivables	111,056	97,057
Overdue receivables	4,217	4,217
Deduction: Loss allowance	(29,261)	(28,151)
Net amount	<u>\$ 1,357,046</u>	<u>1,377,271</u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

For details regarding the Consolidated Companies' bills for collection deposited in banks in the amounts of NT\$179,682 thousand and NT\$220,652 thousand, respectively, as collateral for 10-20% of the forward letters of credit as of December 31, 2024 and 2023, please refer to Note 8.

Lease benefit maturity analysis for undiscounted lease benefits received after the reporting date:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Under 1 year	\$ 40,961	44,710
1-2 year(s)	31,210	28,383
2-3 years	22,252	19,196
3-4 years	16,400	12,414
4-5 years	11,198	9,598
Over 5 years	<u>43,853</u>	<u>40,699</u>
Total lease investment	165,874	155,000
Unearned financing income	<u>(18,320)</u>	<u>(18,209)</u>
Present value of lease payments receivable	147,554	136,791
Deduction: Loss allowance	<u>(1,476)</u>	<u>(1,368)</u>
Net amount	<u>\$ 146,078</u>	<u>135,423</u>
Overdue receivables	\$ 4,217	4,217
Deduction: Loss allowance	<u>(4,217)</u>	<u>(4,217)</u>
	<u>\$ -</u>	<u>-</u>

The Consolidated Companies estimate expected credit losses for all receivables, accounts receivable, finance lease receivables, and collection items using a simplified approach. This approach involves measuring the expected credit losses over the lifetime of the assets. For this measurement purpose, these receivables are grouped based on shared credit risk characteristics representing the customer's ability to pay all amounts due according to the contractual terms, with forward-looking information accounted for as well. Expected credit loss analysis for the consolidated accounts receivable, notes receivable, finance leases receivable, and collections:

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

	2024.12.31		
	Carrying Amounts of Notes and Accounts Receivable, Finance Leases Receivable and Collections	Weighted Average Expected Credit Loss Rate	Allowance for Expected Credit Losses During the Period
Not overdue	\$ 1,362,315	0.39%	5,269
1-180 days overdue	271	100%	271
181-365 days overdue	1,861	100%	1,861
Over 366 days overdue	<u>21,860</u>	100%	<u>21,860</u>
	<u>\$ 1,386,307</u>		<u>29,261</u>
	2023.12.31		
	Carrying Amounts of Notes and Accounts Receivable, Finance Leases Receivable and Collections	Weighted Average Expected Credit Loss Rate	Allowance for Expected Credit Losses During the Period
Not overdue	\$ 1,345,537	0%	-
1-180 days overdue	36,533	13.68%	4,998
181-365 days overdue	6,444	96.91%	6,245
Over 366 days overdue	<u>16,908</u>	100%	<u>16,908</u>
	<u>\$ 1,405,422</u>		<u>28,151</u>

Changes in loss allowance for notes and accounts receivable, finance lease receivable and collections of the Consolidated Companies:

	2024	2023
Beginning balance	\$ 28,151	19,499
Recognized impairment loss	1,076	8,696
Foreign currency exchange gain/loss	<u>34</u>	<u>(44)</u>
Ending balance	<u>\$ 29,261</u>	<u>28,151</u>

(V) Inventories

	2024.12.31	2023.12.31
Commodities	\$ 643,669	609,713
Goods in transit	<u>28,012</u>	<u>35,744</u>
	<u>\$ 671,681</u>	<u>645,457</u>

Inventory costs recognized as cost of goods sold and expenses for the years 2024 and 2023 were NT\$2,728,958 thousand and NT\$2,655,551 thousand, respectively.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

In 2024, inventory was adjusted to its net realizable value, leading to an inventory impairment loss of NT\$1,549 thousand.

In 2023, improvements have been made to the factor that previously caused the net realizable value of inventory to be lower than the cost, and a decrease of NT\$15,768 thousand in operating costs was recognized due to an increase in net realizable value.

As of December 31, 2024 and 2023, none of the inventories of the Company have been pledged as collaterals.

(VI) Investments accounted for using the equity method

- Investments of the Consolidated Companies accounted for under the equity method at the reporting date:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Associate	<u>\$ 123,835</u>	<u>116,390</u>

The financial information of associates of the Consolidated Companies, which are individually immaterial, and accounted for using the equity method, and is included in the Consolidated Financial Statements as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Closing aggregated carrying amount of interests in individually insignificant related parties	<u>\$ 123,835</u>	<u>116,390</u>

	<u>2024</u>	<u>2023</u>
Equity owned by the Consolidated Companies:		
Net profit from ongoing operations for the current period	11,763	10,626
Other comprehensive income	-	(669)
Ending balance	<u>\$ 11,763</u>	<u>9,957</u>

- As of December 31, 2024 and 2023, no investments in related parties of the Consolidated Companies, accounted for under the equity method, have been pledged as collaterals.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(VII) Property, plant, and equipment

Changes in cost and depreciation of properties, plants and equipment of the Consolidated Companies for 2024 and 2023:

	Land	Building and Construction	Transportation Equipment	Office Equipment	Leased Assets	Construction in Process	Total
Cost:							
Balance as of January 1, 2024	\$ 412,632	455,875	4,565	83,044	417,090	-	1,373,206
Addition	206,218	3,897	951	7,832	24,343	-	243,241
Reclassifications	-	-	-	10,090	47,063	-	57,153
Disposal and obsolescence	-	-	-	(3,329)	(44,815)	-	(48,144)
Effects of exchange rate changes	-	-	-	10	386	-	396
Balance as of December 31, 2024	<u>\$ 618,850</u>	<u>459,772</u>	<u>5,516</u>	<u>97,647</u>	<u>444,067</u>	<u>-</u>	<u>1,625,852</u>
Balance as of January 1, 2023	\$ 412,632	426,833	1,877	64,701	423,601	17,003	1,346,647
Addition	-	12,302	2,616	9,419	16,707	-	41,044
Reclassifications	-	16,740	72	9,634	39,964	(17,003)	49,407
Disposal and obsolescence	-	-	-	(700)	(62,680)	-	(63,380)
Effects of exchange rate changes	-	-	-	(10)	(502)	-	(512)
Balance as of December 31, 2023	<u>\$ 412,632</u>	<u>455,875</u>	<u>4,565</u>	<u>83,044</u>	<u>417,090</u>	<u>-</u>	<u>1,373,206</u>
Depreciation:							
Balance as of January 1, 2024	\$ -	67,549	1,984	35,864	206,259	-	311,656
Current year depreciation	-	11,169	551	14,632	56,287	-	82,639
Reclassifications	-	-	-	-	(691)	-	(691)
Disposal and obsolescence	-	-	-	(2,383)	(37,961)	-	(40,344)
Effects of exchange rate changes	-	-	-	1	40	-	41
Balance as of December 31, 2024	<u>\$ -</u>	<u>78,718</u>	<u>2,535</u>	<u>48,114</u>	<u>223,934</u>	<u>-</u>	<u>353,301</u>
Balance as of January 1, 2023	\$ -	57,716	1,563	26,132	210,671	-	296,082
Current year depreciation	-	9,833	421	10,412	56,996	-	77,662
Reclassifications	-	-	-	-	(928)	-	(928)
Disposal and obsolescence	-	-	-	(680)	(60,391)	-	(61,071)
Effects of exchange rate changes	-	-	-	-	(89)	-	(89)
Balance as of December 31, 2023	<u>\$ -</u>	<u>67,549</u>	<u>1,984</u>	<u>35,864</u>	<u>206,259</u>	<u>-</u>	<u>311,656</u>
Carrying amount:							
December 31, 2024	<u>\$ 618,850</u>	<u>381,054</u>	<u>2,981</u>	<u>49,533</u>	<u>220,133</u>	<u>-</u>	<u>1,272,551</u>
January 1, 2023	<u>\$ 412,632</u>	<u>369,117</u>	<u>314</u>	<u>38,569</u>	<u>212,930</u>	<u>17,003</u>	<u>1,050,565</u>
December 31, 2023	<u>\$ 412,632</u>	<u>388,326</u>	<u>2,581</u>	<u>47,180</u>	<u>210,831</u>	<u>-</u>	<u>1,061,550</u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

On April 16, 2024, the Consolidated Companies acquired the "Chiayi Interchange Special Zone Goods Transfer Center Area Land Readjustment Area," as announced by the Chiayi County Government, through a public bidding process. The land is intended for a warehouse expansion plan. The total transaction amount was NT\$206,218 thousand, and the land payment has been completed. The relevant ownership registration procedures were finalized on August 14, 2024.

For details regarding the Consolidated Companies' property, plant and equipment pledged as collaterals for loans and lines of credit, please refer to Note 8.

(VIII) Right-of-use assets

Changes in cost and depreciation of leased premises, buildings, and transportation equipment of the Consolidated Companies for 2024 and 2023:

	Building and construction	Transportation Equipment	Total
Costs of right-of-use assets:			
Balance as of January 1, 2024 \$	781,067	1,309	782,376
Addition	149,772	-	149,772
Decrease	(56,636)	-	(56,636)
Balance as of December 31, 2024	<u>\$ 874,203</u>	<u>1,309</u>	<u>875,512</u>
Balance as of January 1, 2023 \$	757,462	-	757,462
Increase	88,281	1,309	89,590
Decrease	(64,676)	-	(64,676)
Balance as of December 31, 2023	<u>\$ 781,067</u>	<u>1,309</u>	<u>782,376</u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2024 \$	262,521	400	262,921
Current period depreciation	79,247	436	79,683
Decrease	(38,499)	-	(38,499)
Balance as of December 31, 2024	<u>\$ 303,269</u>	<u>836</u>	<u>304,105</u>
Balance as of January 1, 2023 \$	250,713	-	250,713
Current period depreciation	73,103	400	73,503
Decrease	(61,295)	-	(61,295)
Balance as of December 31, 2023	<u>\$ 262,521</u>	<u>400</u>	<u>262,921</u>
Carrying amount:			
December 31, 2024	<u>\$ 570,934</u>	<u>473</u>	<u>571,407</u>
January 1, 2023	<u>\$ 506,749</u>	<u>-</u>	<u>506,749</u>
December 31, 2023	<u>\$ 518,546</u>	<u>909</u>	<u>519,455</u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(IX) Investment properties

Investment properties are held by the Consolidated Companies as their own assets. The initial non-cancelable period of the leased investment property is five to ten years.

Rental income from the leased investment properties is a fixed amount.

Changes in cost and amortization of investment properties of the Consolidated Companies for 2024 and 2023:

	<u>Land and Improvements</u>	<u>Building and Construction</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2024	\$ 25,736	484	26,220
Balance as of December 31, 2024	\$ 25,736	484	26,220
Balance as of January 1, 2023	\$ 25,736	484	26,220
Balance as of December 31, 2023	\$ 25,736	484	26,220
Depreciation:			
Balance as of January 1, 2024	\$ -	119	119
Current year depreciation	-	9	9
Balance as of December 31, 2024	\$ -	128	128
Balance as of January 1, 2023	\$ -	110	110
Current year depreciation	-	9	9
Balance as of December 31, 2023	\$ -	119	119
Carrying amount:			
December 31, 2024	\$ 25,736	356	26,092
January 1, 2023	\$ 25,736	374	26,110
December 31, 2023	\$ 25,736	365	26,101
Fair Value:			
December 31, 2024			\$ 28,168
December 31, 2023			\$ 27,291

The fair value of an investment property is determined by considering the aggregate of the estimated cash flows expected to receive from leasing the property, and discount it using a rate of return that reflects specific risks inherent in the net cash flows. Range of rates of return used in 2024 and 2023:

<u>Region</u>	<u>2024</u>	<u>2023</u>
Chaozhou Township, Pingtung County	0.27%	0.32%

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

As of December 31, 2024 and 2023, no investment properties of the Consolidated Company were pledged as collaterals.

(X) Intangible assets

Changes in cost and amortization of intangible assets of the Consolidated Companies for 2024 and 2023:

	<u>Goodwill</u>	<u>Other Intangible Assets</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2024	\$ 116,961	119,910	236,871
Addition	-	1,831	1,831
Balance as of December 31, 2024	<u>\$ 116,961</u>	<u>121,741</u>	<u>238,702</u>
Balance as of January 1, 2023	\$ 116,961	96,100	213,061
Addition	-	2,381	2,381
Reclassifications	-	21,429	21,429
Balance as of December 31, 2023	<u>\$ 116,961</u>	<u>119,910</u>	<u>236,871</u>
Amortization:			
Balance as of January 1, 2024	\$ -	47,892	47,892
Current period amortization	-	16,623	16,623
Balance as of December 31, 2024	<u>\$ -</u>	<u>64,515</u>	<u>64,515</u>
Balance as of January 1, 2023	\$ -	34,309	34,309
Current period amortization	-	13,583	13,583
Balance as of December 31, 2023	<u>\$ -</u>	<u>47,892</u>	<u>47,892</u>
Carrying amount:			
December 31, 2024	<u>\$ 116,961</u>	<u>57,226</u>	<u>174,187</u>
January 1, 2023	<u>\$ 116,961</u>	<u>61,791</u>	<u>178,752</u>
December 31, 2023	<u>\$ 116,961</u>	<u>72,018</u>	<u>188,979</u>

1. Impairment testing for cash-generating units (including goodwill)

According to IAS 36, goodwill obtained through business mergers must undergo annual impairment testing, which involves allocating the goodwill to cash-generating units that are anticipated to benefit from the consolidation. For the purpose of impairment testing, the Consolidated Companies have allocated goodwill to the following cash-generating units:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Renalysis Medical Care Co., Ltd.	\$ 42,936	42,936
HC-Healthcare Co., Ltd.	74,025	74,025
	<u>\$ 116,961</u>	<u>116,961</u>

All of the cash-generating units mentioned above have the ability to generate independent cash flows. Therefore, the impairment of goodwill is assessed by

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

calculating the value in use and the carrying amount of net assets for Renalysis Medical Care Co., Ltd. and HC-Healthcare Co., Ltd. to determine if impairment recognition is necessary.

Results of the impairment test conducted by the Consolidated Companies as of December 31, 2024 and 2023, showed that the recoverable amount determined based on the fair value of the cash-generating units mentioned above exceeded their carrying amounts, indicating no impairment.

The recoverable amount of the cash-generating units for impairment testing in 2024 and 2023 is determined based on fair value, and the key assumptions for Renalysis Medical Care Co., Ltd. and HC-Healthcare Co., Ltd. are as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Renalysis Medical Care Co., Ltd.		
Operating revenue growth rate	3%	6%
Pre-tax discount rate	5.53%	6.85%
	<u>2024.12.31</u>	<u>2023.12.31</u>
HC-Healthcare Co., Ltd.		
Operating revenue growth rate	2.50%	3.50%
Pre-tax discount rate	5.53%	6.85%

The values of these key assumptions represent management's assessment of future trends in the industry, taking into account both external and internal (historical) information.

- As of December 31, 2024 and 2023, no investment properties of the Consolidated Companies were pledged as collaterals.

(XI) Short-term loans

Short-term loans of the Consolidated Companies:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Unsecured bank loans	\$ 200,000	-
Secured bank loans	167,987	91,565
Total	<u>\$ 367,987</u>	<u>91,565</u>
Unused credit line	<u>\$ 702,799</u>	<u>1,050,212</u>
Interest rate	<u>1.825~2.150%</u>	<u>1.75%</u>

Assets of the Consolidated Companies pledged as collaterals for bank loans are described in Note 8.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(XII) Long-term loans

Long-term loans of the Consolidated Companies:

	<u>2023.12.31</u>			
	<u>Currency</u>	<u>Interest Rate (%)</u>	<u>Maturity year</u>	<u>Amount</u>
Borrowing from non-financial institutions	USD	3.00%	116	\$ 12,357
Deduction: Portion due within one year				<u>-</u>
Total				<u>\$ 12,357</u>
Unused credit line				<u>\$ -</u>

As of December 31, 2024 and 2023, no long-term loans unsecured by assets of the Consolidated Companies were pledged as collaterals.

(XIII) Lease liabilities

Carrying amount of the consolidated lease liabilities:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Current	<u>\$ 78,769</u>	<u>71,364</u>
Non-current	<u>\$ 518,630</u>	<u>469,455</u>

For an analysis of maturity, please refer to Note 6 (XXIII): Financial Instruments.

Leases recognized in the income statement:

	<u>2024</u>	<u>2023</u>
Interest expenses for lease liabilities	<u>\$ 7,931</u>	<u>6,421</u>
Changes in lease payments not accounted for in measurement of lease liabilities	<u>\$ 4,345</u>	<u>2,801</u>
Income from subleasing right-of-use assets	<u>\$ 88,060</u>	<u>84,668</u>
Short-term lease expenses	<u>\$ 1,469</u>	<u>1,281</u>
Expenses for low-value lease assets (excluding low-value short-term leases)	<u>\$ 203</u>	<u>2,914</u>

Leases recognized in the cash flow statement:

	<u>2024</u>	<u>2023</u>
Total cash flows on lease	<u>\$ 88,107</u>	<u>85,353</u>

1. Real estate, construction, and transportation equipment leasing

The Consolidated Companies lease buildings and structures as office spaces and storage locations, and the usual lease term is 3-10 years for office spaces, 2 years for storage locations. Some leases offer the option to extend for the same duration

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

as the original contract when the lease term expires. The lease term for transportation equipment is three years.

For right-of-use assets subleased under operating leases, please refer to Note 6 (XIV).

Certain lease agreements offer extension options, but specific terms and conditions agreed upon may differ within the Consolidated Companies as these agreements are handled independently by various regions. These options are enforceable only by the Consolidated Companies and not by the lessor. Where it is not reasonably certain that the optional extended lease term will be exercised, the lease liability does not include payments for the period covered by the option.

2. Other leases

The Consolidated Companies lease office equipment and other assets for a period of one to two years under short-term or low-value leases. In accordance with the exemption recognition rules, the Consolidated Companies do not recognize the associated right-of-use assets and lease liabilities.

(XIV) Operating leases

1. Lessor lease

The Consolidated Companies lease its investment properties, business premises and medical equipment. These lease agreements are classified as operating leases because the Company does not transfer most risks and rewards associated with ownership of the assets. For more details, please refer to Note 6 (IX); Investment Property. Rental income recognized in profit and loss for 2024 and 2023 was NT\$207,064 thousand and NT\$197,811 thousand, respectively, with the rental income from investment properties amounting to NT\$1,497 thousand.

Lease benefit maturity analysis as of December 31, 2024 and 2023, for undiscounted lease benefits received after the reporting date:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Under 1 year	\$ 91,133	83,517
1-2 year (s)	80,143	65,718
2-3 years	74,062	57,513
3-4 years	61,939	51,882
4-5 years	47,078	40,464
Over 5 years	121,947	85,475
Total lease payments without any discounts	<u>\$ 476,302</u>	<u>384,569</u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(XV) Employee benefits

1. Defined benefit plans

Reconciliation of the present value of consolidated defined benefit obligations to the fair value of plan assets:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Present value of defined benefit obligation	\$ 73,791	73,134
Fair value of plan assets	<u>(78,806)</u>	<u>(72,094)</u>
Net defined benefit liabilities (assets)	<u>\$ (5,015)</u>	<u>1,040</u>

The consolidated employee welfare liabilities are as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Liability for compensated absences (recorded under "Other payables")	<u>\$ 6,635</u>	<u>6,295</u>

The Consolidated Companies allocate their defined benefit plans to the Labor Retirement Reserve at Bank of Taiwan. Retirement payment for each employee under the Labor Standards Act is calculated on the basis of the length of service and the average salary for the six months preceding retirement.

(1) Composition of plan assets

The retirement fund allocated by the Consolidated Companies in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds of Ministry of Labor (Bureau of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum annual income to be distributed from the fund shall not be less than the income calculated based on the two-year fixed deposit interest rate of local banks.

As of the reporting date, the balance of the Consolidated Companies' Labor Retirement Reserve at Bank of Taiwan totaled NT\$21,313 thousand. For information on the utilization of the labor pension fund assets, including the fund's dividend yield and asset allocation, please refer to the website of the Bureau of Labor Funds.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(2) Changes to the present value of defined benefit obligation

Variations in the present value of consolidated defined benefit obligations in 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Defined benefit obligations as of January 1	\$ 73,134	71,978
Current service costs and interest	907	1,037
Remeasurement of net defined benefit liabilities (assets)	2,699	119
Number of benefit payments plan	<u>(2,949)</u>	<u>-</u>
Defined benefit obligations as of December 31	<u><u>\$ 73,791</u></u>	<u><u>73,134</u></u>

(3) Variations in fair value of plan assets

Variations in the fair value of the consolidated defined benefit plan assets in 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Fair value of plan assets on January 1	\$ 72,094	65,913
Amount allocated to the plan	5,740	5,728
Projected return on plan assets	930	915
Remeasurement of net defined benefit liabilities (assets)	2,991	(462)
Number of benefit payments plan	<u>(2,949)</u>	<u>-</u>
Fair value of plan assets on December 31	<u><u>\$ 78,806</u></u>	<u><u>72,094</u></u>

(4) Expenses recognized as profit or loss

Expenses recognized as profit or loss for 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Service costs for the current period	\$ -	83
Interest cost	907	954
Projected return on plan assets	<u>(930)</u>	<u>(915)</u>
	<u><u>\$ (23)</u></u>	<u><u>122</u></u>
General and administrative expenses	<u><u>\$ (23)</u></u>	<u><u>122</u></u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

- (5) Remeasurement of net defined benefit assets recognized in other comprehensive income

Remeasurement of cumulative net defined benefit assets recognized in other comprehensive income of the Consolidated Companies:

	<u>2024</u>	<u>2023</u>
Accumulated balance as of January 1	\$ (54,133)	(53,552)
Current recognition	292	(581)
Accumulated balance as of December 31	<u>\$ (53,841)</u>	<u>(54,133)</u>

- (6) Actuarial assumptions

Significant actuarial assumptions used to determine the present value of the defined benefit obligations at the end of the reporting period:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Discount rate	1.4612%~1.539%	1.205%~1.2407%
Future salary increase	1.5%~2.00%	1.25%~2.00%

The Consolidated Companies intend to allocate NT\$5,827 thousand to the defined benefit plan within one year after the 2024 reporting date.

The defined benefit plan has a weighted average duration of 5.03-7.49 years.

- (7) Sensitivity analysis

Effect of changes in the major actuarial assumptions used in determining the present value of benefit obligations as of December 31, 2024 and 2023:

	Effect on defined benefit obligation	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2024		
Discount Rate (Change: 0.25%)	(1,320)	1,358
Future salary increase (Change: 0.5%)	2,699	(2,579)
December 31, 2023		
Discount Rate (Change: 0.25%)	(1,397)	1,439
Future salary increase (Change: 0.5%)	2,859	(2,724)

The above sensitivity analysis analyzes the impact of a single variation in the hypothesis while keeping other assumptions unchanged. In practice, numerous assumptions may be interconnected. The sensitivity analysis also aligns with the methodology employed to compute net defined benefit liabilities.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

The methodology and hypotheses used in preparing the sensitivity analysis for the current period are the same as those used in the previous period.

2. Defined contribution plans

The Consolidated Companies' defined contribution plans comply with the Labor Pension Act, allocating 6.00% of an employee's monthly salary to their Individual Labor Pension Accounts at the Bureau of Labor Insurance. Under this plan, the Consolidated Companies have no legal or constructive obligation to pay additional amounts once a fixed amount has been contributed to the Bureau of Labor Insurance.

Pension costs under the defined contribution plan amounted to NT\$16,457 thousand in 2024, and NT\$15,731 thousand in 2023, and have been allocated to the Bureau of Labor Insurance.

(XVI) Income tax

1. Detailed breakdown of the Consolidated Companies' income tax expenses:

	<u>2024</u>	<u>2023</u>
Current income tax expenses	\$ 95,695	76,246
Deferred income tax expenses	(320)	10,075
Income tax expenses	<u>\$ 95,375</u>	<u>86,321</u>

The Consolidated Companies have no income tax expense that is recognized directly in equity and other comprehensive income in 2024 and 2023.

2. Reconciliation of the Consolidated Companies' income tax expense to net income before tax:

	<u>2024</u>	<u>2023</u>
Income before tax	<u>\$ 455,063</u>	<u>434,305</u>
Income tax calculated at the domestic tax rates of each company's location	\$ 108,197	104,868
Non-deductible expenses	941	773
Domestic investment interests recognized under Equity Method	(20,052)	(19,699)
Changes in unrecognized temporary differences	1,157	(224)
Surcharge on undistributed earnings	144	1,282
Others	4,988	(679)
Total	<u>\$ 95,375</u>	<u>86,321</u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

3. Deferred income tax assets and liabilities

(1) Unrecognized deferred tax assets

Deferred income tax assets unrecognized by the Consolidated Companies:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Taxable profit	\$ 245,791	252,904
Deductible temporary difference	<u>(57)</u>	<u>(462)</u>
	<u><u>\$ 245,734</u></u>	<u><u>252,442</u></u>

In accordance with the Income Tax Act, a loss for the previous ten years may be deducted from the net income of the current year at the approval of tax authorities before income tax is assessed. These items are not recognized as deferred income tax assets due to the low probability of the Consolidated Companies generating sufficient taxable income in the future to offset these temporary differences.

As of December 31, 2024, the Consolidated Companies have not recognized the tax loss as a deferred income tax asset. The deduction period is as follows:

<u>Loss Year</u>	<u>Losses Not Yet Deducted</u>	<u>Final Year Deductible</u>
2014 (ratified)	\$ 21,131	2024
2015 (ratified)	28,025	2025
2016 (ratified)	24,065	2026
2017 (ratified)	26,652	2027
2018 (ratified)	58,763	2028
2019 (ratified)	59,749	2029
2020 (ratified)	9,202	2030
2021 (ratified)	7,314	2031
2022 (ratified)	2,466	2032
2023 (declared)	4,588	2033
2024 (declared)	<u>3,836</u>	2034
	<u><u>\$ 245,791</u></u>	

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(2) Recognized deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities for 2024 and 2023:

	Investment Gain Recognized under Equity Method	Unrealized Exchange Gains	Valuation of Financial Instruments	Total
Deferred income tax liabilities				
Balance as of January 1, 2024	\$ 7,999	373	-	8,372
Debit/credit to profit and loss account	<u>(449)</u>	<u>718</u>	<u>106</u>	<u>375</u>
Balance as of December 31, 2024	<u>\$ 7,550</u>	<u>1,091</u>	<u>106</u>	<u>8,747</u>
Balance as of January 1, 2023	\$ 8,065	14	-	8,079
Debit/credit to profit and loss account	<u>(66)</u>	<u>359</u>	<u>-</u>	<u>293</u>
Balance as of December 31, 2023	<u>\$ 7,999</u>	<u>373</u>	<u>-</u>	<u>8,372</u>

	Loss on Inventory Write-down	Valuation of Financial Instruments	Others	Total
Deferred income tax assets:				
Balance as of January 1, 2024	\$ 2,738	48	2,131	4,917
(Debit) credit to profit and loss account	<u>309</u>	<u>(48)</u>	<u>434</u>	<u>695</u>
Balance as of December 31, 2024	<u>\$ 3,047</u>	<u>-</u>	<u>2,565</u>	<u>5,612</u>
Balance as of January 1, 2023	\$ 12,752	7	1,940	14,699
(Debit) credit to profit and loss account	<u>(10,014)</u>	<u>41</u>	<u>191</u>	<u>(9,782)</u>
Balance as of December 31, 2023	<u>\$ 2,738</u>	<u>48</u>	<u>2,131</u>	<u>4,917</u>

4. The Consolidated Companies have no income tax expense that is recognized directly in equity and other comprehensive income.
5. Income tax assessment

The income tax settlement declarations of the Company, Renalysis Medical Care, XinFu Healthcare, Sin Hwa, Sin Hwa, HC-Healthcare income tax settlement declaration have been approved by tax authorities until 2022.

(XVII) Capital and other equity

As of December 31, 2024 and 2023, the Company had an authorized capital of NT\$800,000 thousand with a par value of NT\$10 per share; and amount of common

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

shares actually issued was 44,521 thousand shares. Payment for all issued shares has been received.

(In thousand shares)	Common Stock	
	2024	2023
Beginning balance as of January 1	44,521	40,521
Cash capital increase	-	4,000
Ending balance as of December 31	44,521	44,521

1. Issuance of common shares

On October 20, 2022, the Board of Directors passed a resolution to increase cash capital by issue 4,000 thousand new shares of common stock at a premium of NT\$125 per share, resulting in a total amount of NT\$498,750 thousand (excluding issuance costs of NT\$1,250 thousand). The reference date is April 7, 2023; all payments for the issue shares have been received, and relevant legal registration procedures were completed on April 25, 2023.

2. Capital surplus

Breakdown of the Company's capital surplus is as follows:

	2024.12.31	2023.12.31
Premium on share issuance	\$ 1,591,611	1,591,611
Employees stock option	9,174	9,174
Expired stock options	706	706
Income from donations	497	497
	\$ 1,601,988	1,601,988

Under the Company Act, additional paid-in capital is required to first offset a deficit before new shares or cash can be issued to shareholders in proportion to their original shares. Realized additional paid-in capital includes premium received from issuing shares above their par value and income from donations. Under the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital reserve that may be appropriated as additional paid-in capital each year shall not exceed 10% of the paid-in capital.

3. Retained earnings

In accordance with the Articles of Incorporation, if the annual final accounts show a surplus, taxes should be paid first to offset any past losses, then 10% of the surplus should be allocated to legal reserve, unless the legal reserve has already reached the paid-in capital. Furthermore, a special reserve may be set aside based on operational needs and legal requirements of the Consolidated Companies. Afterwards, if there is still a surplus and unappropriated earnings from the

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

beginning of the period, the Board of Directors shall propose an earnings distribution plan and submit for approval at the shareholders' meeting.

The Company is currently experiencing a period of business growth, and its dividend policy prioritizes the Company's future development and financial condition, while also ensuring reasonable remuneration for shareholders. As a result, at least fifty percent of the dividends and profits distributed to shareholders are in the form of cash dividends.

(1) Legal Reserve

If the Company has no deficit, it may issue new shares or cash out of legal reserve by resolution of the shareholders' meeting, provided that such reserve shall not exceed 25% of the paid-in capital.

(2) Special Reserve

In accordance with the regulations set by the Financial Supervisory Commission when distributing distributable profits, the Consolidated Companies must address the net decrease in other equity items that occurred during the year by adding the net after-tax profit for the current period, and any items not included in the net after-tax profit, to the current undistributed profits. This amount, combined with past undistributed profits, is used to allocate special reserves. For reductions in other shareholders' equity items accumulated from previous periods, an equivalent amount must be allocated to special reserves from undistributed profits, and cannot be distributed. When there is a reversal of amounts deducted from other equity items of shareholders, the reversed portion may be distributed as retained earnings.

(3) Distribution of earnings

At the shareholders' meetings held on May 29, 2024 and June 14, 2023, the Company resolved to distribute dividends for 2023 and 2022, respectively. Dividends distributed to shareholders are detailed as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Allotment Ratio (NT\$)</u>	<u>Amount</u>	<u>Allotment Ratio (NT\$)</u>	<u>Amount</u>
Cash dividends \$	7.00	<u><u>311,647</u></u>	7.00	<u><u>311,647</u></u>

At the Board meeting held on February 21, 2025, the Company proposed to distribute dividends for 2024. Dividends distributed to shareholders are detailed as follows:

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

	<u>2024</u>	
	<u>Allotment Ratio (NT\$)</u>	<u>Amount</u>
Dividends Allocated to Common Stockholders:		
Cash dividends	\$ 7.00	<u><u>311,647</u></u>

(XVIII) Share-based payment

On October 20, 2022, the Board of Directors resolved to increase the Consolidated Companies' cash capital, of which 600 thousand shares were reserved for employee subscription. Relevant information is as follows:

	<u>Cash Capital Increase with Reserved Employee Subscription Rights</u>
Date given	2023.2.15
Quantity given	600 thousand shares
Executed quantity	600 thousand shares
Vesting period	Immediate vesting

The Company has assigned a fair value of NT\$20.574 per unit for retained cash capital increase and employee stock options. In 2023, compensation cost amounted to NT\$12,344 thousand and was recognized as labor expenses and classified under operating expenses.

(XIX) Earnings per share

1. Basic earnings per share

As of December 31, 2024 and 2023, basic earnings per share of the Consolidated Companies is calculated based on net income attributable to their common equity holders and the weighted-average number of common shares outstanding:

(1) Net profit attributable to the common equity holders of the Company

	<u>2024</u>	<u>2023</u>
Net profit attributable to the common equity holders of the Company	\$ <u><u>359,688</u></u>	<u><u>347,984</u></u>

(2) Weighted average number of common shares outstanding

	<u>2024</u>	<u>2023</u>
Outstanding common shares as of January 1	44,521	40,521
Impact of cash capital increase and issuance of new shares	-	2,948
Weighted average number of common shares outstanding on December 31	<u><u>44,521</u></u>	<u><u>43,469</u></u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

2. Diluted earnings per share

As of December 31, 2024 and 2023, diluted earnings per share of the Company is calculated based on net income attributable to the Company's common equity holders and the weighted-average number of common shares outstanding after adjusting for the dilutive effects of all potential common shares:

(1) Net income attributable to equity holders of the Company's common stock (diluted)

	<u>2024</u>	<u>2023</u>
Net profit attributable to the common equity holders of the Company (basic)	\$ 359,688	347,984
Net income attributable to equity holders of the Company's common stock (diluted)	<u>\$ 359,688</u>	<u>347,984</u>

(2) Weighted average number of common shares outstanding (diluted)

	<u>2024</u>	<u>2023</u>
Weighted average number of common shares outstanding (basic)	44,521	43,469
Effect of employee stock compensation	37	37
Impact of stock option issuance	-	84
Weighted average number of common shares outstanding (diluted) on December 31	<u>44,558</u>	<u>43,590</u>

(XX) Revenue from contracts with customers

1. Revenue breakdown

	<u>2024</u>		
	<u>Hemodialysis Division</u>	<u>Other Divisions</u>	<u>Total</u>
Main markets in the region:			
Taiwan	\$ 2,878,206	1,169,924	4,048,130
China	-	6,190	6,190
Japan	495	-	495
Indonesia	17,996	-	17,996
	<u>\$ 2,896,697</u>	<u>1,176,114</u>	<u>4,072,811</u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

	2024		
	Hemodialysis Division	Other Divisions	Total
Main products/services:			
Dialyzer and blood tubing	\$ 1,341,068	-	1,341,068
Erythropoietin and liquid medications	1,229,942	-	1,229,942
Hemodialysis machine, maintenance and repair	188,960	-	188,960
Respiration and anesthesia	-	286,718	286,718
Lease income	6,888	200,182	207,070
Service revenue	13,144	125,721	138,865
Others	116,695	563,493	680,188
	\$ 2,896,697	1,176,114	4,072,811

	2023		
	Hemodialysis Division	Other Divisions	Total
Main markets in the region:			
Taiwan	\$ 2,841,459	1,024,664	3,866,123
China	-	17,033	17,033
Japan	248	-	248
Indonesia	12,374	-	12,374
	\$ 2,854,081	1,041,697	3,895,778

Main products/services:			
Dialyzer and blood tubing	\$ 1,329,042	-	1,329,042
Erythropoietin and liquid medications	1,186,067	-	1,186,067
Hemodialysis machine, maintenance and repair	204,007	-	204,007
Respiration and anesthesia	-	245,913	245,913
Lease income	4,167	193,444	197,611
Service revenue	12,606	126,294	138,900
Others	118,192	476,046	594,238
	\$ 2,854,081	1,041,697	3,895,778

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

2. Contract balance

	<u>2024.12.31</u>	<u>2023.12.31</u>
Notes receivable	\$ 186,565	233,218
Long-term notes receivable	10,114	7,242
Accounts receivable	978,053	938,874
Receivables from related parties	59,804	85,080
Finance lease receivables	36,498	39,734
Long-term finance lease receivables	111,056	97,057
Overdue receivables	4,217	4,217
Deduction: Loss allowance	<u>(29,261)</u>	<u>(28,151)</u>
Total	<u>\$ 1,357,046</u>	<u>1,377,271</u>
	-	-

	<u>2024.12.31</u>	<u>2023.12.31</u>	<u>2023.1.1</u>
Contractual liabilities for maintenance and repair services	<u>\$ 46,526</u>	<u>32,633</u>	<u>26,239</u>

Please refer to Note 6 (IV) for the disclosure of notes receivable, accounts receivable and finance lease receivables and their impairment.

Revenue recognized for the initial balance of contract liabilities as of January 1, 2024 and 2023, was NT\$11,918 thousand and NT\$10,739 thousand, respectively.

Changes in contract liabilities are mainly due to timing difference between the Consolidated Companies' performance obligations and customer payment.

3. Allocation to transaction price of outstanding performance obligations

On December 31, 2024 and 2023, the total transaction price for the extended warranty service allocated to outstanding performance obligations, which has not yet been fulfilled, was NT\$46,526 thousand and NT\$32,633 thousand, respectively. The Consolidated Company shall recognize this revenue gradually as the service is provided, which is expected to be completed within two to six years.

(XXI) Remuneration for employees, directors, and supervisors

According to the Articles of Incorporation of the Company, if there are profits for the year, the allocation for the remuneration of employees shall be at least 1%, and that of directors and supervisors shall be no more than 3%. However, the Consolidated Companies should reserve a deficit compensation amount in advance losses have

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

accumulated. Remuneration in stock or cash is targeted at employees of the Consolidated Companies who meet certain criteria.

The estimated remuneration for employees, directors, and supervisors of the Company is as follows:

	<u>2024</u>	<u>2023</u>
Remuneration for employees	\$ 4,534	4,320
Remuneration for directors and supervisors	13,602	12,959
	<u>\$ 18,136</u>	<u>17,279</u>

Remuneration to employees, directors and supervisors was estimated by multiplying the pre-tax net profit for each respective period by the percentage of employee remuneration and director and supervisor remuneration specified in the Company's Articles of Incorporation. The remuneration was recorded as operating expenses for 2024 and 2023, and was all paid in cash. Any differences between the actual amount distributed in the following year and the estimated amount are treated as changes in accounting estimate, and are recognized in the profit or loss of the subsequent year. For related information, please refer to the Market Observation Post System (MOPS).

The aforementioned amounts of remuneration allocated to employees, Directors, and Supervisors, as resolved by the Board of Directors, are in line with the estimated amounts stated in the 2024 and 2023 Consolidated Financial Statements.

(XXII) Non-operating income and expenses

1. Interest income

Interest income of the Consolidated Companies:

	<u>2024</u>	<u>2023</u>
Interest on bank deposits	\$ 4,007	3,990
Finance lease receivables	5,910	7,494
Other interest income	121	71
	<u>\$ 10,038</u>	<u>11,555</u>

2. Other income

Other income of the Consolidated Companies:

	<u>2024</u>	<u>2023</u>
Other income	<u>\$ 14,149</u>	<u>8,617</u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

3. Other gains and losses

Other gains and losses of the Consolidated Companies:

	<u>2024</u>	<u>2023</u>
Gains on foreign currency exchange	\$ 6,300	8,814
Gains (losses) on disposal of property, plant, and equipment	(3,408)	608
Net gains (losses) on financial assets at fair value through profit or loss	3,544	596
Others	<u>(308)</u>	<u>(615)</u>
	<u>\$ 6,128</u>	<u>9,403</u>

4. Finance costs

Finance costs of the Consolidated Companies:

	<u>2024</u>	<u>2023</u>
Interest expenses	<u>\$ 13,812</u>	<u>12,440</u>

(XXIII) Financial instruments

1. Credit risk

(1) Exposure to credit risk

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

(2) Credit risk concentration

Primary credit risks for the Consolidated Companies stem from financial instruments associated with cash, bank deposits, equity securities, and accounts receivable. The Consolidated Companies' cash is deposited in different financial institutions. The equity securities held consist of funds purchased from companies with excellent credit ratings. The Consolidated Companies control the credit risk exposure to each financial institution and believe that there is no significant concentration of credit risk in their cash and bank deposits.

Major customers of the Consolidated Companies are located in various medical industries, and pose no significant customer concentration risk. In order to minimize credit risk, the Consolidated Companies conduct ongoing evaluations of customer financial status, and impairment risk is still within the expectations of management.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

2. Liquidity risk

The table below displays maturity dates of financial liabilities, including interest but excluding the impact of netting agreements.

	Carrying Amount	Contract Cash Flow	Within 1 Year	1-5 Years	Over 5 Years
December 31, 2024					
Non-derivative financial					
liabilities					
Short-term loans	\$ 367,987	369,730	369,730	-	-
Notes payable	6,260	6,260	6,260	-	-
Accounts payable	655,695	655,695	655,695	-	-
Payables to related parties	1,020	1,020	1,020	-	-
Other payables	174,610	174,610	174,610	-	-
Other payables to related parties	13,726	13,726	13,726	-	-
Lease liabilities	597,399	643,136	86,878	287,328	268,930
	\$ 1,816,697	1,864,177	1,307,919	287,328	268,930
December 31, 2023					
Non-derivative financial					
liabilities					
Short-term loans	\$ 91,565	91,712	91,712	-	-
Notes payable	7,521	7,521	7,521	-	-
Accounts payable	681,169	681,169	681,169	-	-
Payables to related parties	2,282	2,282	2,282	-	-
Other payables	184,597	184,597	184,597	-	-
Other payables to related parties	14,665	14,665	14,665	-	-
Long-term loans	12,357	13,701	374	13,327	-
Lease liabilities	540,819	574,872	77,552	253,146	244,174
Other forward exchange contracts	240	240	240	-	-
	\$ 1,535,215	1,570,759	1,060,112	266,473	244,174

The Consolidated Companies do not anticipate cash flows for the maturity analysis to occur earlier or differ significantly in amount.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

Consolidated financial assets and liabilities that are exposed to significant foreign exchange rate risk:

	2024.12.31			2023.12.31			
	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$	
<u>Financial assets</u>							
<u>Monetary items</u>							
JPY	\$	171,959	0.2096	36,043	34,345	0.2171	7,456
USD		234	32.785	7,672	184	30.705	5,650
<u>Non-monetary items</u>							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
JPY	\$	646,027	0.2096	135,407	489,429	0.2171	106,255
USD		1,870	32.785	61,308	1,216	30.705	37,337

(2) Sensitivity analysis

The Consolidated Companies' exposure to foreign exchange risk on monetary items mainly arises from cash, cash equivalents, and accounts payable denominated in foreign currencies, which generate foreign exchange gains or losses upon translation. As of December 31, 2024 and 2023, if NT\$ depreciates or appreciates by 0.25% against US\$ and JPY, with all other factors remaining constant, the pre-tax net income for 2024 and 2023 would decrease or increase by NT\$383 thousand and NT\$326 thousand, respectively.

(3) Exchange gains and losses on monetary items

The Consolidated Companies disclose information on foreign exchange gains and losses on monetary items on a consolidated basis. In 2024 and 2023, including realized and unrealized items, the Consolidated Companies recorded foreign exchange gains to be NT\$6,300 thousand and losses to be NT\$8,814 thousand, respectively.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

4. Interest rate analysis

Financial assets and financial liabilities with interest rate risk of the Consolidated Companies:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Variable rate instruments (book value)		
Financial assets	\$ 458,275	370,051
Financial liabilities	367,987	103,922

Financial assets and financial liabilities with interest rate risk of the Consolidated Companies are described in the liquidity risk management segment of these notes.

The sensitivity analysis below is prepared based on the risk exposure of non-derivative instruments to the interest rates at the report date. Floating rate assets are analyzed by assuming that the amount of assets outstanding at the reporting date is outstanding for the entire year.

If the interest rate increased or decreased by 0.25%, the Consolidated Companies' net income before tax in 2024 and 2023 would have increased or decreased by NT\$226 thousand and NT\$889 thousand, respectively, with all other variables remaining constant, which was mainly due to the Consolidated Companies' changing bank deposit rates and loans.

5. Information on fair value

(1) Classification of financial instruments and determination of fair value

The Consolidated Companies measure financial assets and liabilities at fair value through profit or loss, and financial assets at fair value through other comprehensive income on a recurring basis. Carrying amounts and fair values of various financial assets and financial liabilities (including fair value hierarchy information, but excluding financial instruments measured at fair value where the carrying amount is a reasonable approximation of fair value, and lease liabilities, of which fair value information disclosure is not required):

	<u>Carrying Amount</u>	<u>2024.12.31</u>			<u>Total</u>
		<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	
Financial assets at fair value through profit or loss:					
Beneficiary certificate - fund	\$ 22,031	22,031	-	-	22,031
Forward foreign exchange contracts	<u>530</u>	-	530	-	530
Financial assets at fair value through other comprehensive income					
	<u>\$ 12,010</u>	-	-	12,010	12,010

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

		2024.12.31				
		Carrying	Fair Value			
		Amount	Level 1	Level 2	Level 3	Total
Financial assets at amortized cost:						
Cash and cash equivalents	\$	414,865				
Notes and accounts receivable		1,141,153				
Receivables from related parties		59,804				
Other receivables		2,936				
Finance lease receivables		36,133				
Other financial assets - current		108,102				
Long-term notes receivable		10,011				
Long-term finance lease receivables		109,945				
Refundable deposits		69,151				
Subtotal		1,952,100				
Total		\$ 1,986,671				
Financial liabilities at amortized cost:						
Short-term bank loans	\$	367,987				
Notes and accounts payable		661,955				
Payables to related parties		14,746				
Other payables		174,610				
Lease liabilities		597,399				
Subtotal		1,816,697				
Total		\$ 1,816,697				

		2023.12.31				
		Carrying	Fair Value			
		Amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:						
Beneficiary certificate - fund	\$	51,966	51,966	-	-	51,966
Financial assets at fair value through other comprehensive income						
	\$	268	-	-	268	268
Financial assets at amortized cost:						
Cash and cash equivalents	\$	401,137				
Notes and accounts receivable		1,149,600				
Receivables from related parties		85,080				
Other receivables		1,341				
Finance lease receivables		39,337				
Other financial assets - current		58,895				
Long-term notes receivable		7,168				
Long-term finance lease receivables		96,086				
Refundable deposits		58,578				
Subtotal		1,897,222				
Total		\$ 1,949,456				

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

	2023.12.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss	\$ 240	-	240	-	240
Financial liabilities at amortized cost:					
Short-term bank loans	\$ 91,565				
Notes and accounts payable	688,690				
Payables to related parties	16,947				
Other payables	184,597				
Long-term loans	12,357				
Lease liabilities	540,819				
Subtotal	<u>1,534,975</u>				
Total	<u>\$ 1,535,215</u>				

(2) Fair value measurement techniques for financial instruments at fair value

A. Non-derivative financial instruments

The fair value of financial instruments is determined based on active market quotations when they are available. The fair value of listed (OTC) equity instruments and debt instruments with active market quotations is determined based on the market prices of the Central Government Bonds for popular securities.

If a public quotation for the financial instrument can be obtained from an exchange, broker, underwriter, industry association, pricing service or competent authority in a timely and regular manner, and if the price reflects actual and frequent transactions by fair market traders, then the financial instrument is considered to have an active market with public quotations. If the above conditions are not met, the market shall be deemed inactive. Generally, substantial disparities or notable increases between buying and selling prices, and low trading volume, are all indications of an inactive market.

Classification and attributes of financial instruments with active markets of the Consolidated Companies:

Domestic funds and forward foreign exchange contracts and other financial assets and liabilities that are traded in active markets are valued at fair value, which is determined based on market quotations.

Apart from the financial instruments mentioned above that have active markets, the fair value of other financial instruments is determined using valuation techniques or by referring to quotes from counterparties. The fair value obtained through valuation techniques can be referenced

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

to the current fair value of other financial instruments with substantially similar conditions and characteristics, discounted cash flow methods, or other valuation techniques, including models that use market information available on the reporting date (such as the Taipei Exchange reference yield curve, or Reuters commercial paper rate average quotes).

(3) Fluctuations in level 3

	Measured at Fair Value through Other Comprehensive Income
January 1, 2024	\$ 268
Total Profit or Loss	
Recognized in other comprehensive income	(33,258)
Purchases	45,000
December 31, 2024	\$ 12,010
Balance as of December 31, 2023 (opening balance)	\$ 268

(4) Quantitative information on fair value measurement of significant unobservable inputs (Level 3)

The fair value measurement of the Consolidated Companies is classified as Level 3, primarily due to the fair value measurement of financial assets recognized in other comprehensive income - equity securities.

Investments in debt instrument without active market of the Consolidated Companies involve multiple significant unobservable input values. These values are independent of each other and therefore have no correlation.

The list of quantified information for significant unobservable input values is as follows:

Item	Evaluation	Significant Unobservable Input Values	Relationship between Significant Unobservable Input Values and Fair Value
Financial assets at fair value through other comprehensive income - Investments in debt instrument without active market	Comparable to the Company Act	<ul style="list-style-type: none"> The price-to-book ratio multiplier (as of December 31, 2024: 3.05) Lack of market liquidity discount (as of December 31, 2024: 15.6%) 	<ul style="list-style-type: none"> The fair value increases as the multiple and control premium increase The fair value decreases as the lack of market liquidity discount increases

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

- (5) For the fair value measurement of Level 3, a sensitivity analysis is conducted to assess the impact of reasonably possible alternative assumptions on the fair value

The fair value measurement of financial instruments by the Consolidated Companies is reasonable. However, employing alternative valuation models or parameters may yield varying valuation outcomes. With regards to financial instruments classified as Level 3, the changes in valuation parameters have the following impact on the current period's profit or other comprehensive income:

	<u>Input Value</u>	<u>Upward or downward</u>	<u>Fair value changes are reflected in other comprehensive income</u>	
			<u>Favorable Changes</u>	<u>Unfavorable Changes</u>
December 31, 2024	3.05	1%	43	(43)
Financial assets at fair value through other comprehensive income				

Favorable and unfavorable changes for the Consolidated Companies refer to fluctuations in fair value, which are calculated using valuation techniques based on varying degrees of unobservable inputs. If the fair value of financial instruments is influenced by multiple inputs, the table above only shows the impact of a single change in input value. It does not take into account the correlation and variability between input values.

(XXIV) Financial risk management

1. Summary

The Consolidated Companies face the following risks as a result of using financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This note outlines the exposure of the Consolidated Companies to the aforementioned risks, as well as their objectives, policies, and assessment and management procedures. For more detailed information and disclosure, please consult relevant notes in the Consolidated Financial Statements.

2. Risk management framework

The Board of Directors holds full responsibility for establishing and overseeing the risk management framework of the Consolidated Companies. The Finance Department proposes the evaluation plan and benefit analysis, which are then submitted to supervisors or the Board of Directors for approval, following the internal decision-making authority of the Consolidated Companies.

The Consolidated Companies' internal audit personnel conducts regular or irregular risk management control and procedural audits as per the internal audit plan, and provides reports on the review results to Supervisors and the Board of Directors. The Consolidated Companies do not participate in financial instrument transactions for speculative purposes.

3. Credit risk

Credit risk refers to the potential financial loss that the Consolidated Companies face when customers or counterparties fail to meet their contractual obligations, mainly due to the Consolidated Companies' bank deposits, accounts receivable, and other financial instruments.

(1) Accounts receivable

Major customers of the Consolidated Companies are located in various medical industries, and pose no significant customer concentration risk. In order to minimize credit risk, the Consolidated Companies conduct ongoing evaluations of customer financial status, and impairment risk is still within the expectations of management.

(2) Investment

The Finance Department of the Consolidated Companies is responsible for measuring and monitoring the credit risk of bank deposits and other financial instruments. As all counterparties and performance parties of the Consolidated Companies are reputable banks and financial institutions with investment-grade or higher credit ratings, there are no significant performance concerns, and thus, no significant credit risks.

(3) Guarantee

As of December 31, 2024 and 2023, the Consolidated Companies have not provided endorsement guarantees except for the bank financing of its subsidiaries.

4. Liquidity risk

Liquidity risk refers to the inability of the Consolidated Companies to deliver cash or other financial assets to meet financial obligations and fulfill related liabilities.

The Group supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and cash equivalents. The management of the Group supervises the use of the credit line and ensures compliance with the terms of the loan contracts.

Bank loans are an important source of liquidity for the Consolidated Companies. As of December 31, 2024 and 2023, the Consolidated Companies had unutilized short-term bank financing limits of NT\$702,799 thousand and NT\$1,050,212 thousand, respectively.

5. Market risk

Market risk refers the potential for fluctuations in market prices, including exchange rates, interest rates, and equity instrument prices that could impact the earnings or value of the Consolidated Companies' financial instruments. The goal of market risk management is to maintain market risk at an acceptable level and optimize investment returns.

To mitigate market risks, the Consolidated Companies participate in derivative instrument trading, which leads to the incurrence of financial liabilities. All transactions are executed under the guidance of management.

(1) Foreign exchange risk

The Consolidated Companies are exposed to exchange rate risk arising from purchases that are not denominated in the functional currency of the Group's entities. The functional currencies of the Consolidated Companies are mainly NT\$, US\$ and RMB. Primary currencies utilized for transactions are NT\$, US\$, and JPY.

The Consolidated Companies mitigate exchange rate risks associated with estimated accounts payable resulting from anticipated purchases by primarily using forward foreign exchange and foreign currency option contracts that mature within one year from the reporting date.

In the case of short-term imbalances for other foreign currency-denominated monetary assets and liabilities, the Consolidated Companies may promptly engage in foreign currency purchases or sales at the prevailing exchange rates to maintain an acceptable level of net exposure.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(2) Interest rate risk

The Consolidated Companies are exposed to cash flow risk due to the borrowing of funds by individual entities at floating interest rates.

(XXV) Capital management

The capital management objective of the Consolidated Companies is to ensure the operational continuity, providing ongoing remuneration to shareholders and benefits to other stakeholders, and maintain an optimal capital structure to minimize the cost of capital. In order to maintain or adjust the capital structure, the Consolidated Companies have the option to make adjustments to dividends paid to shareholders.

As part of business operations, the Consolidated Companies acquire working capital through bank financing, enhances operational funds by managing inventory and accounts receivable, and regularly reviews the asset-liability ratio to monitor their capital structure. This ratio is calculated by dividing net liabilities by the total capital. Net liabilities refer to the total amount of liabilities listed in the balance sheet, excluding cash and cash equivalents. Total capital is the sum of all components of equity (i.e., capital stock, capital surplus, retained earnings and other equity) plus net liabilities.

The debt-to-capital ratios of the Consolidated Companies as of December 31, 2024 and December 31, 2023:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Total liabilities	\$ 1,958,467	1,634,017
Deduction: Cash and cash equivalents	<u>(414,865)</u>	<u>(401,137)</u>
Net debt	<u>\$ 1,543,602</u>	<u>1,232,880</u>
Total equity	<u>\$ 3,001,923</u>	<u>2,983,868</u>
Debt capital ratio	<u>34%</u>	<u>29%</u>

(XXVI) Non-cash transactions in financing activities

The Consolidated Companies' non-cash transaction financing activities for 2024 and 2023:

1. For right-of-use assets acquired under leases, please refer to Note 6 (VIII).

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(XXVII) Changes in liabilities from financing activities

Adjustment of liabilities from financing activities:

	2024.1.1	Cash Flow	Non-cash Transactions			2024.12.31
			New Lease	Lease Modifications	Exchange Rate Changes	
Short-term loans	\$ 91,565	276,422	-	-	-	367,987
Long-term loans	12,357	(12,781)	-	-	424	-
Lease liabilities	540,819	(74,159)	149,772	(19,033)	-	597,399
Guarantee deposits received	211	(160)	-	-	-	51
Total liabilities from financing activities	<u>\$ 644,952</u>	<u>189,322</u>	<u>149,772</u>	<u>(19,033)</u>	<u>424</u>	<u>965,437</u>

	2023.1.1	Cash Flow	Non-cash Transactions			2023.12.31
			New Lease	Lease Modifications	Exchange Rate Changes	
Short-term loans	\$ 495,332	(403,767)	-	-	-	91,565
Long-term loans	12,552	-	-	-	(195)	12,357
Lease liabilities	526,590	(71,936)	89,590	(3,425)	-	540,819
Guarantee deposits received	51	160	-	-	-	211
Total liabilities from financing activities	<u>\$ 1,034,525</u>	<u>(475,543)</u>	<u>89,590</u>	<u>(3,425)</u>	<u>(195)</u>	<u>644,952</u>

VII. Related Party Transactions

- (I) The parent company and the ultimate controller are different entities, one of them has prepared Consolidated Financial Statements for public dissemination.

Hi-Clearance Investment Inc. holds 14.64% of the Consolidated Companies' outstanding common shares. While the shareholding does not exceed 50%, it gained control over the financial and operational aspects of the Consolidated Companies on June 2, 2016, and is regarded as the parent company. Collins Co., Ltd. is the ultimate controlling entity of the Group affiliated with the Consolidated Companies. Collins Co., Ltd. has prepared Consolidated Financial Statements for public dissemination.

- (II) Names and relations of related parties

Related parties that had transactions with the Consolidated Companies during the period covered in the Consolidated Financial Statements:

Related Party	Relationship with the Consolidated Companies
Collins Co., Ltd.	Ultimate controller of the Consolidated Companies
QSC Corp.	Affiliate of the Consolidated Companies
WS Far IR Medical Technology Co., Ltd.	Affiliate of the Consolidated Companies
Collins Co., Ltd.	Affiliate of the Consolidated Companies
Yi Sheng Medical Care Co., Ltd.	Substantive related party of the Consolidated Companies

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

<u>Related Party</u>	<u>Relationship with the Consolidated Companies</u>
Xing Tian Medical Care Co., Ltd.	Substantive related party of the Consolidated Companies

(III) Significant transactions with related parties

1. Operating revenue

Sales to related parties and their outstanding balances:

	<u>Sales</u>		<u>Receivables from Related Parties</u>	
	<u>2024</u>	<u>2023</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Parent company	\$ 14		15	
Substantive related party:				
Yi Sheng Medical Care Co., Ltd.	194,283	325,256	49,678	72,017
Substantive related party:				
Xing Tian Medical Care Co., Ltd.	59,255	35,949	10,111	13,063
	<u>\$ 253,552</u>	<u>361,205</u>	<u>59,804</u>	<u>85,080</u>

Prices of goods sold to the parent company and related parties are based on mutual agreement, and terms of payment are not significantly different from those of normal sales. Commission is paid based on the sales amount. Commission amounts for 2024 and 2023 were NT\$18,360 thousand and NT\$11,845 thousand, respectively. As of December 31, 2024 and 2023, there are still outstanding amounts of NT\$3,725 thousand and NT\$4,665 thousand, respectively, which are recorded under "Other Payables - Related Parties".

2. Purchases

Purchases of the Consolidated Companies from related parties and their outstanding balances:

	<u>Purchases</u>		<u>Payables to Related Parties</u>	
	<u>2024</u>	<u>2023</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Associate	\$ 4,079	5,105	1,020	2,282
Substantive related party: Yi Sheng Medical Care Co., Ltd.	-	(23)	-	-
	<u>\$ 4,079</u>	<u>5,082</u>	<u>1,020</u>	<u>2,282</u>

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

The Consolidated Companies acquired the products from related parties without comparing the specifications with other suppliers, leading to a lack of price comparison. The payment terms are set at net 30-120 days.

3. Leases

Rental income from leasing office space to related parties (classified under "Other income") and its outstanding balance:

	Rental Income		Receivables from Related Parties	
	2024	2023	2024.12.31	2023.12.31
Associate	\$ 57	57	-	-

4. Prepayments for equipment

Prepayments to Related Parties of the Consolidated Companies:

	2024.12.31	2023.12.31
Affiliated Enterprise - Kao Ming Company	\$ 3,429	-

On July 17, 2024, the Consolidated Company entered into a construction contract for a solar photovoltaic power generation system with its affiliated enterprise, Collins Co., Ltd. The total value of the contract, excluding taxes, is NT\$5,714 thousand. As of December 31, 2024, the Consolidated Company has made a payment of NT\$3,429 thousand, which is recorded under "Other Non-Current Assets - Other." In addition, a guaranteed note of NT\$571 thousand was obtained from Kao Ming Company.

5. Other income

The Consolidated Company's other income from related parties and outstanding receivables are as follows:

	Amount of Transaction		Other Receivables from Related Parties	
	2024	2023	2024.12.31	2023.12.31
Associate	\$ 162	162	-	-

6. Endorsement/Guarantee

Please refer to Note 13 (I) for further details.

7. Labor expenses

Amounts and outstanding balances for management services provided by related parties to the Consolidated Companies (recorded under "Operating expenses"):

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

	Amount of Transaction		Other Payables to Related Parties	
	2024	2023	2024.12.31	2023.12.31
Parent Company: Collins Co., Ltd.	\$ 10,000	10,000	10,000	10,000
(IV) Major senior management personnel transactions				
Major senior management personnel remuneration:				
			2024	2023
Short-term employee benefits			\$ 54,991	51,956
Share-based payment			-	1,202
			<u>\$ 54,991</u>	<u>53,158</u>

VIII. Pledged Assets

(I) Carrying values of assets pledged by the Consolidated Companies:

Asset Name	Collateral Pledged	2024.12.31	2023.12.31
Restricted bank deposits (listed under Other Financial Assets - Current)	Performance guarantee/letter of credit limit	\$ 108,102	58,895
Land	Letter of credit limit/bank loan limit	107,873	107,873
Building and Construction	Letter of credit limit/bank loan limit	50,550	52,134
		<u>\$ 266,525</u>	<u>218,902</u>

(II) As of December 31, 2024 and 2023, the Consolidated Company has opened forward letters of credit amounting to NT\$549,214 thousand and NT\$459,066 thousand, respectively, and has used bills for collection deposited in banks in the amounts of NT\$179,682 thousand and NT\$220,652 thousand, respectively, as collateral for 10-20% of the forward letters of credit.

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

	2024.12.31	2023.12.31
Unused balance of issued letters of credit	\$ 261,121	213,055
Unrecognized contractual commitments for acquisition of property, plant and equipment	\$ 32,750	12,036

On November 17, 2024, the Consolidated Company Signed a contract with a non-affiliated company to obtain distribution rights. The total transaction amount is NT\$80,000 thousand. As of December 31, 2024, the Company has made a payment of NT\$45,714 thousand, which is

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

recorded under "Other Non-Current Assets - Other." The recognized commitment for the acquisition of intangible assets is NT\$30,476 thousand.

X. Significant Disaster Loss: None.

XI. Significant Events after the Balance Sheet Date: None.

XII. Others

(I) Employee benefits, depreciation and amortization expenses by function:

Functions Characteristics	2024			2023		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expenses	64,955	329,693	394,648	63,360	344,996	408,356
Labor and health insurance	5,456	25,374	30,830	5,460	24,289	29,749
Pension expenses	2,982	13,452	16,434	2,945	12,908	15,853
Other employee benefits	1,827	9,113	10,940	1,588	7,693	9,281
Depreciation expenses	139,839	22,492	162,331	131,656	19,518	151,174
Amortization expenses	-	16,623	16,623	-	13,583	13,583

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

The Consolidated Companies are required to disclose the following significant transaction information for 2024, in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers:

- Loans provided for others: None.
- Endorsements/guarantees provided for others:

Number	Company of Endorser /Guarantor	Endorsed and Guaranteed Parties		Limit on Endorsements /Guarantees Provided for a Single Entity	Maximum Endorsement /Guarantee Balance	Ending Endorsement /Guarantee Balance	Actual Amount Drawn	Amount of Endorsements /Guarantees Collateralized by Property	Ratio of Accumulated Endorsements /Guarantees to Net Worth per Latest Financial Statements	Endorsement /Guarantee Ceiling	Endorsements /Guarantees Provided by Parent for Subsidiary	Endorsements /Guarantees Provided by Subsidiary for Parent	Endorsements /Guarantees Provided for Subsidiary in Mainland China
		Name of Company	Relationship										
0	The Company	Sin Hwa Co., Ltd.	2	1,500,961	50,000	50,000	-	Promissory note 50,000	1.67%	1,500,961	Y	N	N
0	The Company	HC-Healthcare Co., Ltd.	2	1,500,961	120,000	120,000	107,987	Promissory note 120,000	4.00%	1,500,961	Y	N	N

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

- Note 1: The total endorsement/guarantee amount is limited to 50% of the net worth indicated in the Consolidated Companies' previous financial statements. The endorsement/guarantee amount to a single enterprise is limited to 50% of the net worth indicated in the previous period's financial statements.
- Note 2: The relationships between endorsers/guarantors and endorseees/guarantees are categorized into the following 7 types. Please specify the type:
- (1) Companies engaged in business transactions.
 - (2) Companies in which the Company directly and indirectly holds more than 50% of the voting shares.
 - (3) A company that directly and indirectly holds more than 50% of the voting shares in the Company.
 - (4) Companies in which the Company directly or indirectly holds at least 90% of the voting shares.
 - (5) Companies that are in the same industry that have mutual endorsements/guarantees in favor of each other, or those that enter in contracts with such provisions, for the purpose of contracting works.
 - (6) A company that is endorsed/guaranteed by all of the contributing shareholders in proportion with their shareholding ratios due to a joint investment relationship.
 - (7) Companies in the same industry who participate in the joint guarantee of performance for pre-sale house sales contracts in compliance with the Consumer Protection Act.
- Note 3: The above transactions were eliminated in the preparation of the Consolidated Financial Statements.

3. Securities held at end of period (excluding investments in subsidiaries, associates, and interests in joint ventures):

Unit: thousand shares/thousand units

Securities Holding Company	Type and Name of Securities	Relationship with Issuer of Securities	Ledger Account	Ending Balance				Midterm Highest Holdings and Investment	Remark
				Number of Shares/Units	Carrying Amount	Shareholding Ratio	Fair Value		
Sin Hwa Investment Co., Ltd.	Fuh Hwa You Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	742	10,384	- %	10,384	- %	
Sin Hwa Investment Co., Ltd.	SinoPac Global Multi Income Fund TWD Acc	-	Financial assets at fair value through profit or loss - current	1,000	11,647	- %	11,647	- %	
The Company	EPED Inc.	-	Financial assets at fair value through other comprehensive income - non-current	1,406	11,742	4.87%	11,742	4.87%	
The Company	Taiwan Depository & Clearing Corporation	-	Financial assets at fair value through other comprehensive income - non-current	1	268	- %	268	- %	
Taicha Medical Corp. (Shanghai)	Shanghai Shen Shang Technology Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	-	6.20%	-	6.20%	

4. Accumulated purchase or sale of the same securities amounting to NT\$300 million or 20% of paid-in capital or more: None.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

5. Acquisition of property amounting to NT\$300 million or 20% of paid-in capital or more:

Unit: NT\$ thousand

Acquired Company	Name of Property	Trading Date or Date of Occurrence	Amount of Transaction	Status of Payment	Counterparty	Relationship	Information on Prior Transaction If the Counterparty Is Related				Basis or Reference for Price Setting	Purpose of Acquisition and Usage Status	Other Agreed Items
							Owner	Relationship with the Issuer	Date of Transfer	Amount			
The Company	Land	2024.4.16	206,218 (Pre-tax)	206,218	Chiayi County Government	Non-related party	-	-	-	-	Tender	Warehouse land	None

For further details, please refer to Note 6 (VII).

6. Disposal of property amounting to NT\$300 million or 20% of paid-in capital or more: None.
7. Purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Unit: NT\$ thousand

Importing (Selling) Company	Counterparty	Relationship	Transaction Situation				Unusual Transaction Terms and Reasons		Notes and Accounts Receivable (Payable)		Remark
			Purchases (Sales)	Amount	Percentage of Total Purchases (Sales)	Credit Period	Unit Price	Credit Period	Balance	Percentage of Notes and Accounts Receivable (Payable)	
The Company	Yi Sheng Medical Care Co., Ltd.	Substantive related party of the Company	Sales	194,283	(5.38) %	Net 90 EOM	-	-	49,678	4.77%	

8. Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital or more: None.
9. Derivatives transactions: Please refer to Note 6 (II).
10. Business relationships and significant transactions between the parent company and subsidiaries:

Number	Company	Counterparty	Relationship	Trading Activities in 2024			
				Ledger Account	Amount	Transaction Term	Percentage of Consolidated Total Revenue or Total Assets
0	The Company	Renalysis Medical Care Co., Ltd.	1	Sales	5,706	Net 120 EOM	0.14%
0	The Company	Renalysis Medical Care Co., Ltd.	1	Accounts receivable	3,707	Net 120 EOM	0.07%
0	The Company	Renalysis Medical Care Co., Ltd.	1	Rental Income	2,253	Pursuant to the terms of the contract	0.06%
0	The Company	Sin Hwa Co., Ltd.	1	Purchases	4,050	Net 30 EOM	0.10%
0	The Company	Sin Hwa Co., Ltd.	1	Sales	2,021	Net 30 EOM	0.05%
0	The Company	HMI company	1	Sales	15,685	Net 270 EOM	0.39%
0	The Company	HMI company	1	Accounts receivable	5,019	Net 270 EOM	0.10%
0	The Company	HC-Healthcare Co., Ltd.	1	Accounts receivable	6,486	Net 120 EOM	0.13%

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

Number	Company	Counterparty	Relationship	Trading Activities in 2024			
				Ledger Account	Amount	Transaction Term	Percentage of Consolidated Total Revenue or Total Assets
0	The Company	HC-Healthcare Co., Ltd.	1	Sales	23,106	Net 120 EOM	0.57%
0	The Company	HC-Healthcare Co., Ltd.	1	Other expenses	2,287	Net 30 EOM	0.06%

Note 1: The number should be filled in using the following method:

1. 0 represents the parent company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Types of relationships with counterparties are indicated as follows:

1. The parent company to subsidiaries.
2. Subsidiaries to the parent company.
3. Subsidiaries to subsidiaries.

Note 3: The report only provides one-sided information on sales, revenue, and accounts receivable, without any additional details on purchases, expenses, and accounts payable.

Note 4: Transactions with a value of NT\$1 million or more should be disclosed.

Note 5: The above transactions were eliminated in the preparation of the Consolidated Financial Statements.

(II) Information on Invested Companies:

Details regarding the Consolidated Companies' investments in 2024 (excluding investments in Mainland China):

Unit: NT\$ thousand/thousand shares

Name of Investor	Name of Investee	Location	Main Business Activities	Initial Investment Amount		Ending Balance			Midterm Highest Holding Ratio	Profit/Loss of Investee for the Period	Investment Profit (Loss) Recognized	Remark
				Ending Balance for the Current Period	End of Previous Year	Shares	Shareholding	Carrying Amount				
The Company	Succeed Agents Limited (B.V.L.)	British Virgin Islands.	Financial holding and investment	49,649	11,918	1,575	100.00%	85,300	100.00%	(2,245)	(2,245)	(Note 1)
The Company	Renalysis Medical Care Co., Ltd.	Sanchong District, New Taipei City	Medical management consulting services	165,037	165,037	10,000	100.00%	270,364	100.00%	62,793	62,791	(Note 1)
The Company	XinFu Healthcare Corp.	Sanchong District, New Taipei City	Medical management consulting services	50,000	50,000	5,000	100.00%	53,149	100.00%	1,416	1,416	(Note 1)
The Company	Sin Hwa Co., Ltd.	Sanchong District, New Taipei City	Medical equipment trade	100,000	100,000	10,000	100.00%	118,301	100.00%	13,736	13,736	(Note 1)
The Company	Sin Hwa Investment Co., Ltd.	Sanchong District, New Taipei City	Financial holding and investment	80,000	80,000	8,000	100.00%	84,973	100.00%	7,276	7,276	(Note 1)
The Company	HC-Healthcare Co., Ltd.	Sanchong District, New Taipei City	Medical management consulting services and equipment trading	118,919	118,919	36,517	100.00%	138,676	100.00%	3,279	3,279	(Note 1)
The Company	WS Far IR Medical Technology Co., Ltd.	Xindian District, New Taipei City	Medical equipment manufacturing and sales	63,600	63,600	600	30.00%	64,163	30.00%	19,081	5,725	
Sin Hwa Investment Co., Ltd.	QSC Corp.	Sanchong District, New Taipei City	Medical equipment manufacturing and sales	60,000	60,000	6,000	20.00%	59,672	20.00%	30,195	6,038	
Succeed Agents Limited (B.V.L.)	Moral Well Co., Ltd.	Apia Samoa	Financial holding and investment	58,973	58,973	2,000	100.00%	31,367	100.00%	(1,298)	(1,298)	(Note 1)
Succeed Agents Limited (B.V.L.)	PT Hiclearance Medical Indonesia	Republic of Indonesia	Medical equipment trade	60,540	60,540	2,000	100.00%	51,026	100.00%	(968)	(968)	(Note 1)

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

Note 1: The above transactions were eliminated in the preparation of the Consolidated Financial Statements.

(III) Information on Investments in Mainland China:

1. Information on investments in mainland China:

Unit: US\$ thousand/NT\$ thousand/RMB thousand

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	The Company's Direct or Indirect Ownership	Midterm Highest Holding Ratio	Investment Profit/Loss Recognized	End-of-period Investment Book Value	Accumulated Investment Income Repatriated at End of Period
					Remitted	Repatriated							
Taicha Medical Corp. (Shanghai)	International trade and re-export trade	65,570 (USD2,000) (Note 3)	(III)	20,785 (USD700)	-	-	20,785 (USD700)	(1,284) (USD40)	100.00%	100.00%	(1,284) (USD40) (Note 2)	31,357 (USD 956) (Note 2)	-
Shanghai Shen Shang Technology Co., Ltd. (Note 4)	Medical software development and technical services	18,064 (RMB4,034)	(III)	-	-	-	-	-	6.20%	6.20%	-	-	-

Note 1: Methods of investment are divided into the following three types:

- (1) Direct investment in mainland China.
- (2) Reinvestment in mainland China via a third-party company located in a different region.
- (3) Others.

Note 2: The above transactions were eliminated in the preparation of the Consolidated Financial Statements.

Note 3: A portion of the investment funds came from MW's own capital and was not transferred from Taiwan.

Note 4: The investment amount was established by Taicha Medical Corp.'s own funds, not transferred from Taiwan, and full impairment was recorded in 2022. The transaction was not eliminated in the preparation of the Consolidated Financial Statements.

2. Limit for investment to mainland China:

Accumulated Amount of Investments Remitted from Taiwan to Mainland China at End of Period (Note 1)	Amount of Investments Authorized by Investment Commission, M.O.E.A. (Note 2)	Ceiling on Amount of Investments Stipulated by Investment Commission, M.O.E.A.
23,768 (US\$800 thousand)	68,849 (US\$2,100 thousand)	1,801,153

Note 1: Xing Tai International Trading (Shanghai) Co., Ltd. was sold in the first quarter of 2013, however, the payment has not yet been remitted to Taiwan. Therefore, the Consolidated Companies have accumulated a remittance amount of US\$100 thousand, equivalent to NT\$2,983 thousand, which still needs to be accounted for in line with regulations of the Investment Commission.

Note 2: Accumulated amount of investments remitted from Taiwan to mainland China at end of period was calculated based on historical exchange rates.

3. Information on significant transactions:

For details regarding significant transactions between the Consolidated Companies and their investees in Mainland China 2024 (eliminated at the time of preparation of the Consolidated Financial Statements), please refer to the section "Information on Significant Transactions".

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(IV) Information on Major Shareholders:

Unit: shares

Name of Major Shareholders	Shareholding Shares	Percentage of Ownership
Hi-Clearance Investment Inc.	6,519,991	14.64%
LCL Capital Inc.	3,531,994	7.93%
Collins Co., Ltd.	2,385,536	5.35%

Note:

- (1) The major shareholders in this table are shareholders holding more than 5% of the ordinary and preference shares that have completed delivery without physical registration (including treasury shares) on the last business day of each quarter calculated by the Taiwan Depository & Clearing Corporation. Share capital indicated in the Company's financial report may differ from the actual number of shares that have been issued and delivered by the Company without physical registration, as a result of different basis of preparation.
- (2) If a shareholder delivers its shareholding information to the trust, the aforesaid information shall be disclosed by the individual trustee who opened the trust account. Please refer to MOPS for information on shareholders who declare themselves to be insiders holding more than 10% of shares in accordance with the Securities and Exchange Act, and their shareholdings including their shareholdings plus their delivery of trust and shares with the right to make decisions on trust property.

XIV. Segment Information

(I) General Information

The Hemodialysis Division is the only operational division reportable by the Consolidated Companies, as it is responsible for the procurement and distribution of a wide range of blood dialysis-related consumables, which are sold to hospitals, clinics, and distributors.

Other business segments of the Consolidated Companies are primarily involved in selling dental materials and other products. The aforementioned segments did not meet any specific reporting requirements in 2024 and 2023.

(II) Reportable division information on profit or loss, assets, liabilities and measurement bases and reconciliations

The Consolidated Companies utilize the divisional pre-tax profit and loss (excluding non-recurring profit or loss and foreign exchange gain or loss), as stated in the internal management report reviewed by the chief operating decision-makers, for resource allocation and performance evaluation. Income tax, irregular gains and losses, and exchange gains and losses are managed on a group basis; therefore, the Consolidated Companies do not allocate income tax expenses (benefits), irregular gains and losses, and exchange gains and losses to the reportable division(s). Moreover, it should be noted that not all divisional financial statements contain significant non-cash items apart from depreciation and amortization. The reported amount aligns with the report utilized by the operating decision-makers.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

Accounting policies of operational departments of the Consolidated Companies are in line with the consolidated accounting policies. The Consolidated Companies' operating divisional profit or loss is measured by pre-tax operating profit or loss (excluding non-recurring gains or losses and foreign exchange losses) and is used as the basis for performance evaluation. The merged company views the sales and transfers between segments as transactions involving three parties, the measurement for which is set at current market prices.

Information and adjustments pertain to the business segments of the Consolidated Companies:

	2024			
	Hemodialysis Division	Other Divisions	Adjustment and Elimination	Total
Revenue:				
Revenue from external customers	\$ 2,896,697	1,176,114	-	4,072,811
Intersegment revenue	-	-	-	-
Total revenue	<u>\$ 2,896,697</u>	<u>1,176,114</u>	<u>-</u>	<u>4,072,811</u>
Reportable segment profit or loss	<u>\$ 315,908</u>	<u>110,889</u>	<u>-</u>	<u>426,797</u>
Reportable segment assets (Note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2023			
	Hemodialysis Division	Other Divisions	Adjustment and Elimination	Total
Revenue:				
Revenue from external customers	\$ 2,854,081	1,041,697	-	3,895,778
Intersegment revenue	-	-	-	-
Total revenue	<u>\$ 2,854,081</u>	<u>1,041,697</u>	<u>-</u>	<u>3,895,778</u>
Reportable segment profit or loss	<u>\$ 300,453</u>	<u>106,091</u>	<u>-</u>	<u>406,544</u>
Reportable segment assets (Note)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Note) The disclosed amount for the Consolidated Companies is 0 because the measurement of total divisional assets was not provided to the operational decision-makers.

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (Cont.)

(III) Products and Services Information

For information on products and services for the years 2024 and 2023, please refer to Note 6 (XX).

(IV) Regional Information

For information on regional revenue from external customers for the years 2024 and 2023, please refer to Note 6 (XX).

<u>Region</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Non-current assets:		
Taiwan	<u>\$ 2,145,031</u>	<u>1,824,590</u>

Non-current assets comprise property, plants and equipment, leasehold assets, investment properties, intangible assets, and other assets, excluding financial instruments, deferred income tax assets, retirement benefit assets, and non-current right-of-use assets arising from insurance contracts.