

Hi-Clearance Inc.
Parent Company Only Financial
Statements and Independent Auditors'
Report
2024 & 2023

**Company Address: 8F.-2, No. 2, Ln. 609, Sec. 5, Chongxin Rd., Sanchong Dist.,
New Taipei City**
Telephone: (02) 2995-3318

Table of Contents

Item	Page
I. Cover Page	1
II. Table of Contents	2
III. Independent Auditors' Report	3-6
IV. Balance Sheet	7
V. Statement of Comprehensive Income	8
VI. Statement of Changes in Equity	9
VII. Cash Flow	10
VIII. Notes to Parent Company Only Financial Statements	
(I) Company History	11
(II) Date of Authorization for Issuance of the Parent Company Only Financial Statements and Procedures for Authorization	11
(III) Application of New and Amended Standards and Interpretations	11-13
(IV) Summary of Significant Accounting Policies	13-31
(V) Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions	31
(VI) Details of Significant Accounts	32-67
(VII) Related Party Transactions	67-72
(VIII) Pledged Assets	72
(IX) Significant Contingent Liabilities and Unrecognized Contract Commitments	72
(X) Significant Disaster Loss	72
(XI) Significant Events after the Balance Sheet Date	72
(XII) Others	73-74
(XIII) Supplementary Disclosures	
1. Information on Significant Transactions	74-76
2. Information on Invested Companies	76
3. Information on Investments in Mainland China	77
4. Information on Major Shareholders	77-78
(XIV) Segment Information	78
IX. Statements of Significant Accounting Subjects	79-87

Independent Auditors' Report

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

Opinions

The 2024 and 2023 balance sheet of Hi-Clearance Inc., as well as the comprehensive income statement, statement of changes in equity, statement of cash flows, and notes to the Parent Company Only 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 Parent Company Only Financial Statements mentioned above has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in all material aspects, and are considered to have reasonably expressed the financial conditions of Hi-Clearance Inc. as of December 31, 2024 and 2023, as well as its financial performance and 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 Parent Company Only Financial Statements section of our report. We are independent of Hi-Clearance Inc. 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 Parent Company Only Financial Statements of Hi-Clearance Inc. for the year 2024. These matters were addressed in the context of our audit of the Parent Company Only Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 Parent Company Only Financial Statements. For details of revenue, please refer to Note 6 (XIX).

Explanation of key audit matters:

Hi-Clearance Inc. is primarily involved in the trading of medical equipment and pharmaceuticals. Revenue recognition is one of the critical assessment matters that performed in the audit of the financial report of Hi-Clearance Inc., 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 Inc. 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 recognition, etc.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

To ensure that the Parent Company Only Financial Statements do not contain material misstatements caused by fraud or errors, management is responsible for preparing prudent Parent Company Only Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for preparing and maintaining necessary internal control procedures pertaining to the Parent Company Only Financial Statements.

In preparing the Parent Company Only Financial Statements, management is responsible for assessing Hi-Clearance Inc.'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 Inc. 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 Inc.'s financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the Parent Company Only Financial Statements as a whole 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 these Parent Company Only Financial Statements.

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

1. Identify and evaluate the risk of material misstatements due to fraud or error in the Parent Company Only Financial Statements; design and carry out appropriate countermeasures for the evaluated risk; and obtain sufficient and appropriate evidence as the basis for 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 Inc.
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 Inc.'s ability to operate as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company Only Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Hi-Clearance Inc. to cease to continue as a going concern.
5. Evaluate the overall expression, structure and contents of the Parent Company Only Financial Statements (including relevant Notes), and whether the Parent Company Only Financial Statements fairly present relevant transactions and items.

6. Sufficient and appropriate audit evidence about the financial information of investees under equity-method shall be obtained in order to express an opinion on the Parent Company Only 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 Hi-Clearance Inc.

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 Inc.'s Parent Company Only 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.
Balance Sheet
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))	\$ 145,668	3	153,294	4	2100	Short-term loans (Note 6 (XI) and Note 8)	\$ 260,000	6	-	-
1110	Financial assets at fair value through profit or loss - current (Note 6 (II))	530	-	-	-	2120	Financial liabilities at fair value through profit or loss - current (Note 6 (II))	-	-	240	-
1150	Net amount of notes receivable (Note 6 (IV)(XIX))	167,650	4	211,079	5	2130	Contract liabilities - current (Note 6 (XIX))	19,604	-	13,920	-
1170	Net amount of accounts receivable (Note 6 (IV)(XIX))	789,422	20	749,399	19	2150	Notes payable	6,254	-	7,515	-
1180	Net amount of accounts receivable - related parties (Notes 6 (IV)(XIX) and 7)	75,235	2	105,330	3	2170	Accounts payable	611,725	15	624,350	16
1197	Net amount of financial leases receivable (Note 6 (IV)(XIX))	36,133	1	39,337	1	2180	Accounts payable - related parties (Note 7)	1,020	-	2,447	-
1200	Other receivables	2,575	-	650	-	2200	Other payables (Note 6 (XIV))	152,243	4	163,933	4
1212	Other receivables - related parties (Note 6 (IV) and 7)	456	-	331	-	2220	Other payables - related parties (Note 7)	14,563	-	15,166	-
1300	Inventory (Note 6 (V))	658,924	16	629,386	16	2230	Current income tax liabilities	48,135	1	19,989	1
1410	Prepayments	19,263	-	65,209	2	2280	Lease liabilities - current (Note 6 (XII))	818	-	1,200	-
1476	Other financial assets - current (Note 8)	51,854	1	2,647	-	2300	Other current liabilities	26,153	1	25,206	1
1479	Other current assets - others	3,863	-	3,534	-		Total current liabilities	1,140,515	27	873,966	22
	Total current assets	1,951,573	47	1,960,196	50		Non-current liabilities:				
	Non-current assets:					2527	Contract liabilities - non-current (Note 6 (XIX))	26,922	1	18,713	1
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (III))	12,010	-	268	-	2570	Deferred income tax liabilities (Note 6 (XV))	8,747	-	8,372	-
1550	Investments accounted for using the equity method (Note 6 (VI))	814,926	19	795,282	20	2580	Lease liabilities - non-current (Note 6 (XII))	1,438	-	2,256	-
1600	Property, plant, and equipment (Note 6 (VII) and 8)	1,115,141	27	923,971	24	2600	Other non-current liabilities (Note 6 (XIV))	-	-	134	-
1755	Right-of-use assets (Note 6 (VIII))	2,165	-	3,363	-		Total non-current liabilities	37,107	1	29,475	1
1760	Net amount of investment property (Note 6 (IX))	26,092	1	26,101	1		Total liabilities	1,177,622	28	903,441	23
1780	Intangible assets (Note 6 (X))	16,951	-	21,429	1		Equity (Note 6 (XVI)):				
1840	Deferred tax assets (Note 6 (XV))	5,612	-	4,917	-	3100	Capital stock	445,210	11	445,210	12
1930	Net amount of long-term notes receivable (Note 6 (IV)(XIX))	10,011	-	7,168	-	3200	Capital surplus	1,601,988	38	1,601,988	41
194D	Net amount of long-term financial leases receivable (Note 6 (IV)(XIX))	109,945	3	96,086	3	3300	Retained earnings	992,317	24	943,984	24
1990	Other Non-Current Assets - Miscellaneous (Notes 6 (XIV), 7, and 9)	115,119	3	48,528	1	3400	Other equity	(37,592)	(1)	(7,314)	-
	Total non-current assets	2,227,972	53	1,927,113	50		Total equity	3,001,923	72	2,983,868	77
	Total assets	\$ 4,179,545	100	3,887,309	100		Total liabilities and equity	\$ 4,179,545	100	3,887,309	100

(Please refer to the notes of the Parent Company Only Financial Statements)

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

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

Unit: NT\$ thousand

		<u>2024</u>		<u>2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (Note 6 (XIII)(XIX) and 7)	\$ 3,610,958	100	3,429,643	100
5000	Operating costs (Note 6 (V) and 7)	2,689,499	74	2,571,109	75
	Gross profit	921,459	26	858,534	25
	Operating expenses (Notes 6 (IV), (XII), (XIV), (XVII), (XX), and 7):				
6100	Selling and marketing expenses	376,569	11	334,550	10
6200	General and administrative expenses	223,788	6	222,609	6
6450	Expected credit loss	1,543	-	4,875	-
	Total operating expenses	601,900	17	562,034	16
	Net operating income	319,559	9	296,500	9
	Non-operating income and expenses:				
7100	Interest income (Note 6 (XXI))	7,054	-	9,234	-
7010	Other income (Note 6 (XIII)(XXI) and 7)	17,519	-	11,224	-
7020	Other gains and losses (Note 6 (XXI))	3,098	-	9,583	-
7050	Financial costs (Note 6 (XI)(XXI))	(3,947)	-	(4,139)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method (Note 6 (VI))	91,978	3	92,291	3
	Total non-operating income and expenses	115,702	3	118,193	3
7900	Income before tax	435,261	12	414,693	12
7950	Deduction: Income tax expenses (Note 6 (XV))	75,573	2	66,709	2
	Net income for the period	359,688	10	347,984	10
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 (XIV))	218	-	(557)	-
8316	Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method - items not reclassified to profit or loss	(33,258)	(1)	-	-
8330	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>9</u>	<u>344,865</u>	<u>10</u>
	Earnings per share (NT\$) (Note 6 (XVIII))				
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 Parent Company Only Financial Statements)

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

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

Unit: NT\$ thousand

	Retained Earnings					Other Equity Items				
	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	Total Equity
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 Parent Company Only Financial Statements)

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc.
Cash Flow
January 1 to December 31, 2024 and 2023

	Unit: NTS thousand	
	2024	2023
Cash flows from operating activities:		
Income before tax for the period	\$ 435,261	414,693
Adjustment items:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	46,808	41,612
Amortization expenses	5,369	2,381
Expected credit loss	1,543	4,875
Net loss on financial assets and liabilities at fair value through (profit) loss	(1,883)	625
Interest expenses	3,947	4,139
Interest income	(7,054)	(9,234)
Dividend income	(4)	(4)
Share-based remuneration cost	-	12,344
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(91,978)	(92,291)
Loss (gain) on disposal of property, plant, and equipment	3,404	(1,204)
Total adjustments to reconcile profit (loss)	(39,848)	(36,757)
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	1,131	68
Decrease (increase) in notes receivable	41,035	(14,982)
(Increase) in accounts receivable	(41,907)	(47,269)
Decrease in accounts receivable - related parties	30,095	16,575
Decrease (increase) in other receivables	(1,925)	4,720
Other receivables - (increase) in related parties	(125)	(126)
Decrease (increase) in inventory	(60,436)	32,384
Increase in finance lease receivables	(10,763)	(15,252)
Decrease (increase) in prepayments	45,946	(30,281)
(Increase) in other current assets	(329)	(126)
Decrease in other financial assets	793	3,618
Increase in other operating assets	(10,761)	(1,598)
Total net changes in assets related to operating activities	(7,246)	(52,269)
Decrease in financial liabilities at fair value through profit or loss	(18)	(489)
Increase in contractual liabilities	13,893	6,394
Decrease in notes payable	(1,261)	(110)
(Decrease) in accounts payable	(12,625)	(26,621)
Accounts payable - increase (decrease) in related parties	(1,427)	1,167
Decrease in other payables	(11,690)	(11,120)
(Decrease) in other payables - related parties	(603)	(6,968)
Increase in other current liabilities	947	10,099
Increase (decrease) in other operating liabilities	84	(5,574)
Total net changes in liabilities related to operating activities	(12,700)	(33,222)
Total net changes in assets and liabilities related to operating activities	(19,946)	(85,491)
Total adjustment items:	(59,794)	(122,248)
Cash inflows from operations	375,467	292,445
Interest received	7,054	9,234
Dividends received	71,118	76,962
Interest paid	(3,947)	(4,139)
Income tax paid	(47,747)	(76,710)
Net cash inflow from operating activities	401,945	297,792
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(45,000)	-
Acquisition of property, plant, and equipment	(213,370)	(21,362)
Disposal of property, plant, and equipment	4,093	2,120
Increase in refundable deposits	(59,654)	(46,527)
Decrease in refundable deposits	49,538	37,871
Intangible asset acquisition	(891)	(2,381)
Prepaid intangible assets	(45,714)	-
Dividends received from associates	4,274	4,289
Increase in other financial assets	(50,000)	-
Net cash outflow from investing activities	(356,724)	(25,990)
Cash flows from financing activities:		
Increase in short-term loans	1,770,000	990,000
Decrease in short-term loans	(1,510,000)	(1,400,000)
Lease principal payment	(1,200)	(1,148)
Cash dividends paid	(311,647)	(311,647)
Cash capital increase	-	498,750
Subsidiary equity acquisition	-	(37,730)
Net cash outflow from financing activities	(52,847)	(261,775)
Increase (decrease) in cash and cash equivalents during the period	(7,626)	10,027
Cash and cash equivalents at beginning of period	153,294	143,267
Cash and cash equivalents at end of period	\$ 145,668	153,294

(Please refer to the notes of the Parent Company Only Financial Statements)

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc.
Notes to Parent Company Only 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.) The Company's primary business activities involve trading medical equipment, biochemical reagents, and Western medicine.

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

The Parent Company Only Financial Statements have been approved and released by the Board of Directors of the Republic of China 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 Company has been implementing the newly revised International Financial Reporting Standards (IFRSs), which has not significantly impacted the Parent Company Only 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

Since January 1, 2025, the Company has been implementing the newly revised International Financial Reporting Standards. This implementation has not had a significant impact on the Parent Company Only Financial Statements.

- Amendments to IAS 21 "Lack of Exchangeability"

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (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 Company:

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 Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

The Company 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 Company does not expect the following other new releases and amendments to standards, that have yet to be endorsed by the FSC, to have a material impact on the Parent Company Only Financial Statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17
- 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 Parent Company Only Financial Statements. Unless stated otherwise, the following accounting policies have been applicable for all reporting periods of these Parent Company Only Financial Statements.

(I) Compliance declaration

The Parent Company Only Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Preparation basis

1. Basis of measurement

The Parent Company Only Financial Statements have been 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;
- (3) Net defined benefit liabilities (or 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 Company's functional currency is the currency of the primary economic environment in which it operates. The Parent Company Only Financial Statements

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

are presented in the New Taiwan dollar, the Company's functional currency. All financial information expressed in NT\$ is denominated in units of NT\$ thousand.

(III) 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 that are measured at fair value are converted into the functional currency using the exchange rate on the fair value measurement date, and non-monetary items that are 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.

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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(IV) 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 of the Company.

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 of the Company.

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

(V) 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.

(VI) 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

1. Financial assets

The Company applies 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 financial assets 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 or an investment in equity instruments measured at fair value through other comprehensive income, the Company 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.

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 Company has 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. Any net income

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

or loss that remains is recognized as other comprehensive income and is not reclassified as income.

The Company recognizes dividend income from equity investments on the date it is entitled to receive dividends, usually 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 Company 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 Company considers 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 Company 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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

- The Company's claims are limited to the terms of cash flows from specific assets (e.g., non-recourse features).

(5) Impairment of financial assets

The Company recognizes loss allowance for expected credit losses on financial assets measured at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables, finance lease receivables, refundable deposits 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.

In assessing whether the credit risk has significantly increased since initial recognition, the Company takes into account reasonable and verifiable information that is readily available without undue cost or input, including qualitative and quantitative information and analyses based on the Company's historical experience, credit assessment, and forward-looking information.

The 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 Company is 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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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 Company anticipates that it will not recover its financial assets in full or in part, it directly reduces the carrying value of those assets. The Company conducts a detailed analysis of the timing and amount of write-offs by taking into consideration their expected recoverability. The Company does not anticipate a material reversal of the amounts written-off. However, financial assets that have been written off remain enforceable to comply with the Company's procedures for recovering overdue amounts.

(6) Derecognition of financial assets

The Company derecognizes the financial assets when the contractual rights to the cash flow from the said financial assets are terminated, or when the Company transfers 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 Company also does not retain control of the financial assets.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The Company classifies its 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 Company once all liabilities have been deducted from its assets. The Company recognizes the equity instruments at the amount obtained after deducting the direct issuance costs.

(3) Compound financial instruments

Compound financial instruments issued by the Company 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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 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 Company derecognizes financial liabilities when contractual obligations have been executed, cancelled 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(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 Company has the legal right to offset and intends to settle the assets and liabilities simultaneously or through net settlement.

3. Derivative financial instruments and hedge accounting

The Company holds 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.

(VII) 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.

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

(VIII) Investments in associates

Associates are entities over which the Company exercises significant influence over the financial and operating policies, but over which does not have control or joint control.

The equity method is used to account for the Company's interest in its associates. According to the equity method, initial acquisition is recognized at cost, which includes transaction costs. Carrying amounts of investments in associates includes the goodwill recognized at the time of the initial investment, deducting any accumulated impairment losses.

From the date of significant influence until the date of loss of significant influence, the Parent Company Only Financial Statements recognize the profit and loss and other comprehensive income of investee associates based on the equity ratio, after making adjustments that are consistent with the Company's accounting policies. When equity changes occur in an associate due to items of other comprehensive income that do not

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

affect the Company's shareholding ratio, the Company recognizes equity changes in the associate as capital surplus based on its shareholding ratio.

Unrealized gains and losses resulting from transactions between the Company and its associates are recognized in the financial statements only when the profits and losses are irrelevant to the investor's interests in the associates. If the Company's 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.

(IX) Investments in subsidiaries

In preparing the Parent Company Only Financial Statements, investees over which the Company has control are accounted for under the equity method. Under the equity method, the current profit and other comprehensive income in the Parent Company Only Financial Statements and the Consolidated Financial Statements are allocated to the owners of the parent company in the same proportion. Furthermore, the owner's equity in the Parent Company Only Financial Statements is equal to the equity attributed to the owners of the parent company in the Consolidated Financial Statements.

When the Company experiences changes in ownership interests of its subsidiary that do not lead to a loss of control, these changes are considered equity transactions between owners.

(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.

When an investment property is reclassified as property, plant and equipment due to a change in its usage, it is reclassified at the carrying amount at the time of the change in use.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(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 Company.

3. Depreciation

Depreciation is calculated by subtracting the residual value from the asset cost, 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: 10-55 years
- (2) Transportation equipment: 5-8 Years
- (3) Office equipment: 3-7 Years
- (4) Rental assets: 5-10 Years

The Company reviews the depreciation method, useful lives and residual values at each reporting date and makes appropriate 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(XII) Leases

Upon establishment, the Company evaluates 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 Company recognizes 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 Company regularly assesses its right-of-use assets for impairment, addresses any losses, and adjusts 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, the Company uses its incremental borrowing rate. In general, the Company uses 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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

of purchase, extension, or termination options. Corresponding adjustments are 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 Company has 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 Company is 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 Company considers specific indicators, including whether the lease term covers a significant portion of the economic life of the subject asset.

If the agreement contains lease and non-lease components, the Company 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 Company recognizes lease payments received on a straight-line basis as rental income over the lease term.

(XIII) Intangible assets

1. Recognition and measurement

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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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

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

The Company reviews 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.

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.

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 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).

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(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 Company is recognized when control over goods or services is transferred to the customer and the performance obligation has been satisfied. The Company's primary revenue sources:

(1) Sale of goods

The Company sells 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 Company has objective evidence that all acceptance conditions have been satisfied.

To certain customers who purchase medical equipment, the Company not only provides 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 Company recognizes 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 Company recognizes accounts receivable upon the delivery of goods, as it has an unconditional right to receive consideration at that time.

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

The Company offers 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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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.

If the contract is based on the number of hours of services rendered, revenue is recognized at the amount that the Company has the right to issue invoices. The Company request payments monthly from customers and collects consideration when invoice has been issued.

(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 Company adjusts 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 Company calculates 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 Company, 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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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 Company calculates 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 Company recognizes 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 Company has 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.

(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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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 Company is 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.

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 Company 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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

- (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 Company reports both basic and diluted earnings per share of the Company's common stockholders. Basic earnings per share of the Company is calculated by dividing net profit attributable to the common equity holders of the Company 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 Company include estimated employee remuneration and convertible bonds.

(XX) Segment Information

The Company has disclosed division information in the Consolidated Financial Statements; therefore, no division information is disclosed in the Parent Company Only Financial Statements.

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

When preparing the Parent Company Only 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 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 Parent Company Only 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

VI. Details of Significant Accounts

(I) Cash and cash equivalents

	<u>2024.12.31</u>	<u>2023.12.31</u>
Cash on hand	\$ 315	401
Demand deposits	145,353	152,893
Cash and cash equivalents in the statement of cash flows	<u>\$ 145,668</u>	<u>153,294</u>

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

(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:		
Forward foreign exchange contracts	<u>\$ 530</u>	<u>-</u>
Financial liabilities held for trading:		
Forward foreign exchange contracts	<u>\$ -</u>	<u>240</u>

2. Non-hedging derivative instruments

Engagement in derivative financial instrument transactions is intended to hedge against foreign exchange risks from operating activities. As of December 31, 2024 and 2023, the Company reports derivatives as financial assets and financial liabilities held for trading, measured at fair value through profit or loss, due to the non-application of hedge accounting; details are as follows:

	<u>2024.12.31</u>		
	<u>Contract Amount</u>	<u>Currency</u>	<u>Maturity period</u>
Derivative financial assets:			
Forward foreign exchange contracts	JPY 403,429	NTD to JPY	2025.02.03~2025.04.24

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	2023.12.31		
	Contract Amount	Currency	Maturity Period
Derivative financial liabilities:			
Forward foreign exchange contracts	USD 610	NTD to USD	2024.01.08~2024.02.15

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

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

	2024.12.31	2023.12.31
Equity instruments at fair value through other comprehensive income:		
Domestic unlisted (over-the-counter) stocks - Taiwan Depository & Clearing Corporation	268	268
Domestic unlisted (over-the-counter) stocks - EPED Inc.	11,742	-
Total	\$ 12,010	268

- The Company holds 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.
- From January 1 to December 31, 2024, the Company 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Notes receivable	\$ 169,343	213,250
Long-term notes receivable	10,114	7,242
Accounts receivable	806,417	764,510
Receivables from related parties	75,691	105,661
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>(24,484)</u>	<u>(22,941)</u>
Net amount	<u>\$ 1,188,852</u>	<u>1,208,730</u>

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>

	<u>2024.12.31</u>	<u>2023.12.31</u>
Overdue receivables	\$ 4,217	4,217
Deduction: Loss allowance	<u>(4,217)</u>	<u>(4,217)</u>
	<u>\$ -</u>	<u>-</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

The Company estimates expected credit losses for all accounts receivable, accounts payable, financing lease receivables, and collection amounts 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 Company's accounts receivable, notes receivable, and finance leases receivable:

	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	\$ 1,180,885	0.35%	4,138
1-180 days overdue	13,691	15.02%	2,056
181-365 days overdue	1,646	71.45%	1,176
Over 366 days overdue	17,114	100%	17,114
	<u>\$ 1,213,336</u>		<u>24,484</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	\$ 1,184,634	0%	-
1-180 days overdue	27,981	15.81%	4,423
181-365 days overdue	2,497	78.45%	1,959
Over 366 days overdue	16,559	100%	16,559
	<u>\$ 1,231,671</u>		<u>22,941</u>

Changes in loss allowance for notes and accounts receivable, finance lease receivable and collections:

	2024	2023
Beginning balance	\$ 22,941	18,066
Recognized impairment loss	1,543	4,875
Ending balance	<u>\$ 24,484</u>	<u>22,941</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(V) Inventories

	<u>2024.12.31</u>	<u>2023.12.31</u>
Commodities	\$ 633,687	593,642
Goods in transit	25,237	35,744
	<u>\$ 658,924</u>	<u>629,386</u>

Inventory costs recognized as cost of goods sold and expenses for the years 2024 and 2023 were NT\$2,592,107 thousand and NT\$2,524,687 thousand, respectively. In 2024, inventory was adjusted to its net realizable value, leading to an inventory impairment loss of NT\$1,545 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\$15,204 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 Company accounted for under the equity method at the reporting date:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Subsidiary	\$ 750,763	732,526
Associate	64,163	62,756
	<u>\$ 814,926</u>	<u>795,282</u>

1. Subsidiary

For information regarding subsidiaries, please consult the 2024 and 2023 Consolidated Financial Statements.

2. Associate

The financial information of the Company's associates, which are individually immaterial, and accounted for using the equity method, and is included in the Parent Company Only 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>\$ 64,163</u>	<u>62,756</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	<u>2024</u>	<u>2023</u>
Equity owned by the Company:		
Net profit from ongoing operations for the current period	\$ 5,725	4,749
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 5,725</u>	<u>4,749</u>

As of December 31, 2024 and 2023, none of the investments accounted for under the equity method of the Company have been pledged as collaterals.

(VII) Property, plant, and equipment

Changes in cost and accumulated depreciation of properties, plants and equipment of the Company for 2024 and 2023:

	<u>Land</u>	<u>Building and Construction</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Leased Assets</u>	<u>Construction in Process</u>	<u>Total</u>
Cost:							
Balance as of January 1, 2024	\$ 412,632	455,875	4,565	57,972	182,444	-	1,113,488
Addition	206,219	3,897	110	3,144	-	-	213,370
Reclassifications	-	-	-	8,201	22,007	-	30,208
Disposal and obsolescence	-	-	-	(1,462)	(20,543)	-	(22,005)
Balance as of December 31, 2024	<u>\$ 618,851</u>	<u>459,772</u>	<u>4,675</u>	<u>67,855</u>	<u>183,908</u>	<u>-</u>	<u>1,335,061</u>
Balance as of January 1, 2023	\$ 412,632	426,833	1,877	42,920	161,706	17,002	1,062,970
Addition	-	12,302	2,616	5,794	650	-	21,362
Reclassifications	-	16,740	72	9,634	25,453	(17,002)	34,897
Disposal and obsolescence	-	-	-	(376)	(5,365)	-	(5,741)
Balance as of December 31, 2023	<u>\$ 412,632</u>	<u>455,875</u>	<u>4,565</u>	<u>57,972</u>	<u>182,444</u>	<u>-</u>	<u>1,113,488</u>
Accumulated Depreciation and Impairment Losses:							
Balance as of January 1, 2024	\$ -	67,549	1,984	23,278	96,706	-	189,517
Current year depreciation	-	11,169	481	9,411	24,540	-	45,601
Reclassifications	-	-	-	-	(691)	-	(691)
Disposal and obsolescence	-	-	-	(818)	(13,689)	-	(14,507)
Balance as of December 31, 2024	<u>\$ -</u>	<u>78,718</u>	<u>2,465</u>	<u>31,871</u>	<u>106,866</u>	<u>-</u>	<u>219,920</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	<u>Land</u>	<u>Building and Construction</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Leased Assets</u>	<u>Construction in Process</u>	<u>Total</u>
Balance as of January 1, 2023	\$ -	57,716	1,563	15,863	79,285	-	154,427
Current year depreciation	-	9,833	421	7,771	22,416	-	40,441
Reclassifications	-	-	-	-	(526)	-	(526)
Disposal and obsolescence	-	-	-	(356)	(4,469)	-	(4,825)
Balance as of December 31, 2023	<u>\$ -</u>	<u>67,549</u>	<u>1,984</u>	<u>23,278</u>	<u>96,706</u>	<u>-</u>	<u>189,517</u>
Carrying amount:							
December 31, 2024	<u>\$ 618,851</u>	<u>381,054</u>	<u>2,210</u>	<u>35,984</u>	<u>77,042</u>	<u>-</u>	<u>1,115,141</u>
January 1, 2023	<u>\$ 412,632</u>	<u>369,117</u>	<u>314</u>	<u>27,057</u>	<u>82,421</u>	<u>17,002</u>	<u>908,543</u>
December 31, 2023	<u>\$ 412,632</u>	<u>388,326</u>	<u>2,581</u>	<u>34,694</u>	<u>85,738</u>	<u>-</u>	<u>923,971</u>

On April 16, 2024, the Company 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 loans and financing commitment as of December 31, 2024 and December 31, 2023, please refer to Note 8.

(VIII) Right-of-use assets

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

	<u>Building and Construction</u>	<u>Transportation Equipment</u>	<u>Total</u>
Costs of right-of-use assets:			
Balance as of January 1, 2024	\$ 4,870	1,309	6,179
Balance as of December 31, 2024	<u>\$ 4,870</u>	<u>1,309</u>	<u>6,179</u>
Balance as of January 1, 2023	\$ 11,111	-	11,111
Increase	-	1,309	1,309
Decrease	(6,241)	-	(6,241)
Balance as of December 31, 2023	<u>\$ 4,870</u>	<u>1,309</u>	<u>6,179</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	Building and Construction	Transportation Equipment	Total
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2024	\$ 2,416	400	2,816
Current period depreciation	762	436	1,198
Balance as of December 31, 2024	<u>\$ 3,178</u>	<u>836</u>	<u>4,014</u>
Balance as of January 1, 2023	\$ 7,895	-	7,895
Current period depreciation	762	400	1,162
Decrease	(6,241)	-	(6,241)
Balance as of December 31, 2023	<u>\$ 2,416</u>	<u>400</u>	<u>2,816</u>
Carrying amount:			
December 31, 2024	<u>\$ 1,692</u>	<u>473</u>	<u>2,165</u>
January 1, 2023	<u>\$ 3,216</u>	-	<u>3,216</u>
December 31, 2023	<u>\$ 2,454</u>	<u>909</u>	<u>3,363</u>

(IX) Investment properties

Investment properties are held by the Company as its 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 accumulated depreciation of investment properties of the Company for 2024 and 2023:

	Land	Building and Construction	Total
Cost:			
Balance as of January 1, 2024	\$ 25,736	484	26,220
Balance as of December 31, 2024	<u>\$ 25,736</u>	<u>484</u>	<u>26,220</u>
Balance as of January 1, 2023	\$ 25,736	484	26,220
Balance as of December 31, 2023	<u>\$ 25,736</u>	<u>484</u>	<u>26,220</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	<u>Land</u>	<u>Building and Construction</u>	<u>Total</u>
Depreciation:			
Balance as of January 1, 2024 \$	-	119	119
Current year depreciation	-	9	9
Balance as of December 31, 2024	<u>\$ -</u>	<u>128</u>	<u>128</u>
Balance as of January 1, 2023 \$	-	110	110
Current year depreciation	-	9	9
Balance as of December 31, 2023	<u>\$ -</u>	<u>119</u>	<u>119</u>
Carrying amount:			
December 31, 2024	<u>\$ 25,736</u>	<u>356</u>	<u>26,092</u>
January 1, 2023	<u>\$ 25,736</u>	<u>374</u>	<u>26,110</u>
December 31, 2023	<u>\$ 25,736</u>	<u>365</u>	<u>26,101</u>
Fair Value:			
December 31, 2024			<u>\$ 28,168</u>
December 31, 2023			<u>\$ 27,951</u>

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%

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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(X) Intangible assets

Changes in cost and accumulated amortization of intangible assets for 2024 and 2023:

	<u>Computer Software</u>	<u>Other Intangible Assets</u>	<u>Total</u>
Cost:			
Balance as of January 1, 2024	\$ -	23,810	23,810
Addition	891	-	891
Balance as of December 31, 2024	<u>\$ 891</u>	<u>23,810</u>	<u>24,701</u>
Balance as of January 1, 2023	\$ -	-	-
Addition	-	2,381	2,381
Reclassifications	-	21,429	21,429
Balance as of December 31, 2023	<u>\$ -</u>	<u>23,810</u>	<u>23,810</u>
Amortization:			
Balance as of January 1, 2024	\$ -	2,381	2,381
Current period amortization	11	5,358	5,369
Balance as of December 31, 2024	<u>\$ 11</u>	<u>7,739</u>	<u>7,750</u>
Balance as of January 1, 2023	\$ -	-	-
Current period amortization	-	2,381	2,381
Balance as of December 31, 2023	<u>\$ -</u>	<u>2,381</u>	<u>2,381</u>
Carrying amount:			
December 31, 2024	<u>\$ 880</u>	<u>16,071</u>	<u>16,951</u>
January 1, 2023	<u>\$ -</u>	<u>-</u>	<u>-</u>
December 31, 2023	<u>\$ -</u>	<u>21,429</u>	<u>21,429</u>

As of December 31, 2024, no intangible assets of the Company were pledged as collaterals.

(XI) Short-term loans

	<u>2024.12.31</u>	<u>2023.12.31</u>
Secured bank loans	\$ 60,000	-
Unsecured bank loans	200,000	-
Total	<u>\$ 260,000</u>	<u>-</u>
Unused credit line	<u>\$ 640,786</u>	<u>991,777</u>
Interest rate	<u>1.825%~2%</u>	<u>-</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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

(XII) Lease liabilities

Carrying amount of the Company's lease liabilities:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Current	<u>\$ 818</u>	<u>1,200</u>
Non-current	<u>\$ 1,438</u>	<u>2,256</u>

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

Leases recognized in the income statement:

	<u>2024</u>	<u>2023</u>
Interest expenses for lease liabilities	<u>\$ 39</u>	<u>53</u>
Changes in lease payments not accounted for in measurement of lease liabilities	<u>\$ 4,345</u>	<u>2,801</u>
Short-term lease expenses	<u>\$ 575</u>	<u>257</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>\$ 6,362</u>	<u>7,173</u>

1. Real estate, construction, and transportation equipment leasing

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

Certain lease agreements offer extension options, but specific terms and conditions agreed upon may differ within the Company as these agreements are handled independently by various regions. These options are enforceable only by the Company 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

2. Other leases

The Company leases 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 Company does not recognize the associated right-of-use assets and lease liabilities.

(XIII) Operating leases

1. Lessor lease

The Company leases its investment properties, offices, and storage locations. 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). Rental income recognized in profit and loss for 2024 and 2023 was NT\$57,654 thousand and NT\$51,915 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	\$ 2,713	2,770
Total lease payments without any discounts	<u>\$ 2,713</u>	<u>2,770</u>

(XIV) Employee benefits

1. Defined benefit plans

Reconciliation of the present value of 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	\$ 71,949	71,320
Fair value of plan assets	(77,763)	(71,186)
Net defined benefit liabilities (assets)	<u>\$ (5,814)</u>	<u>134</u>

The Company's 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>\$ 6,094</u>	<u>5,737</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

The Company allocates its defined benefit plan 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 Company 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 Company's Labor Retirement Reserve at Bank of Taiwan totaled NT\$20,270 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.

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

Variations in the present value of the Company's defined benefit obligations in 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Defined benefit obligations as of January 1	\$ 71,320	70,218
Current service costs and interest	885	1,014
Remeasurement of net defined benefit liabilities (assets)	2,694	88
Benefits paid by plan	<u>(2,950)</u>	<u>-</u>
Defined benefit obligations as of December 31	<u>\$ 71,949</u>	<u>71,320</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(3) Variations in fair value of plan assets

Variations in the fair value of the Company's defined benefit plan assets in 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Fair value of plan assets on January 1	\$ 71,186	65,067
Amount allocated to the plan	5,695	5,685
Projected return on plan assets	919	903
Remeasurement of net defined benefit liabilities (assets)	2,913	(469)
Benefits paid by plan	(2,950)	-
Fair value of plan assets on December 31	<u>\$ 77,763</u>	<u>71,186</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	885	931
Projected return on plan assets	(919)	(903)
	<u>\$ (34)</u>	<u>111</u>
	<u>2024</u>	<u>2023</u>
General and administrative expenses	<u>\$ (34)</u>	<u>111</u>

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

Remeasurement of cumulative net defined benefit assets in other comprehensive income of the Company:

	<u>2024</u>	<u>2023</u>
Accumulated balance as of January 1	\$ (54,133)	(53,552)
Recognized by the Company	218	(557)
Recognized by subsidiaries	74	(24)
Accumulated balance as of December 31	<u>\$ (53,841)</u>	<u>(54,133)</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(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	1.5390%	1.2407%
Future salary increase	1.500%	1.250%

The Company intends to allocate NT\$5,780 thousand to the defined benefit plan within one year after the 2024 reporting date.

The defined benefit plan has a weighted average duration of 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:

	<u>Effect on defined benefit obligation</u>	
	<u>Increase</u>	<u>Decrease</u>
December 31, 2024		
Discount Rate (Change: 0.25%)	\$ (1,298)	1,335
Future salary increase (Change: 0.50%)	2,654	(2,536)
December 31, 2023		
Discount Rate (Change: 0.25%)	(1,372)	1,412
Future salary increase (Change: 0.50%)	2,807	(2,674)

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 pension liability.

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 Company's defined contribution plan complies 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 Company has no legal or constructive obligation to pay additional amounts once a fixed amount has been contributed to the Bureau of Labor Insurance.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

Pension costs under the defined contribution plan amounted to NT\$14,021 thousand for 2024, and NT\$13,333 thousand for 2023, and have been allocated to the Bureau of Labor Insurance.

(XV) Income tax

1. Detailed breakdown of the Company's income tax expenses:

	<u>2024</u>	<u>2023</u>
Current income tax expenses	\$ 75,893	56,634
Deferred income tax expenses (benefits)	(320)	10,075
	<u>\$ 75,573</u>	<u>66,709</u>

The Company has no income tax expense that is recognized directly in equity and other comprehensive income in 2024 and 2023.

Reconciliation of income tax expenses to pre-tax net income for 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Income before tax	<u>\$ 435,261</u>	<u>414,693</u>
Income tax calculated at the domestic tax rates of each company's location	\$ 87,052	82,939
Non-deductible expenses	941	773
Domestic investment interests recognized under Equity Method	(18,845)	(18,524)
Changes in unrecognized temporary differences	1,704	240
Past overestimation/underestimation	4,577	(1)
Surcharge on undistributed earnings	144	1,282
Total	<u>\$ 75,573</u>	<u>66,709</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

2. Deferred income tax assets and liabilities

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	(449)	718	106	375
Balance as of December 31, 2024	<u><u>\$ 7,550</u></u>	<u><u>1,091</u></u>	<u><u>106</u></u>	<u><u>8,747</u></u>
Balance as of January 1, \$ 2023	8,065	14	-	8,079
Debit/credit to profit and loss account	(66)	359	-	293
Balance as of December 31, 2023	<u><u>\$ 7,999</u></u>	<u><u>373</u></u>	<u><u>-</u></u>	<u><u>8,372</u></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	309	(48)	434	695
Balance as of December 31, 2024	<u><u>\$ 3,047</u></u>	<u><u>-</u></u>	<u><u>2,565</u></u>	<u><u>5,612</u></u>
Balance as of January 1, \$ 2023	12,752	7	1,940	14,699
(Debit) credit to profit and loss account	(10,014)	41	191	(9,782)
Balance as of December 31, 2023	<u><u>\$ 2,738</u></u>	<u><u>48</u></u>	<u><u>2,131</u></u>	<u><u>4,917</u></u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

3. Income tax assessment

The Company's income tax settlement declaration have been approved by tax authorities until 2022.

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

Shares outstanding for 2024 and 2023:

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

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:

	<u>2024.12.31</u>	<u>2023.12.31</u>
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
	<u><u>\$ 1,601,988</u></u>	<u><u>1,601,988</u></u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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 Company's 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 Company's paid-in capital. Furthermore, a special reserve may be set aside based on the Company's operational needs and legal requirements. Afterwards, if there is still a surplus and unappropriated earnings from the 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 Company shall allocate the special reserve from the current year's income and unappropriated profits from previous periods to other shareholders' equity. 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(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>311,647</u>	7.00	<u>311,647</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:

	<u>2024</u>	
	<u>Allotment Ratio (NT\$)</u>	<u>Amount</u>
Cash dividends	\$ 7.00	<u>311,647</u>

(XVII) Share-based payment

1. Cash capital increase with reserved employee subscription rights

On October 20, 2022, the Board of Directors resolved to increase the Company's 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	2023.02.15
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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(XVIII) Earnings per share

1. Basic earnings per share

As of December 31, 2024 and 2023, basic 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:

(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>\$ 359,688</u>	<u>347,984</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>44,521</u>	<u>43,469</u>

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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(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>

(XIX) 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	\$ 2,701,007	893,628	3,594,635
Indonesia	15,685	-	15,685
China	-	143	143
Japan	495	-	495
	<u>\$ 2,717,187</u>	<u>893,771</u>	<u>3,610,958</u>
Main products/services:			
Dialyzer and blood tubing	\$ 1,336,133	-	1,336,133
Erythropoietin and liquid medications	1,049,786	-	1,049,786
Hemodialysis machine, maintenance and repair	194,541	-	194,541
Respiration and anesthesia	-	288,633	288,633
Lease income	6,888	47,879	54,767
Service revenue	13,144	-	13,144
Others	116,695	557,259	673,954
	<u>\$ 2,717,187</u>	<u>893,771</u>	<u>3,610,958</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	2023		
	Hemodialysis Division	Other Divisions	Total
Main markets in the region:			
Taiwan	\$ 2,675,555	740,073	3,415,628
Indonesia	8,244	-	8,244
China	-	5,524	5,524
Japan	247	-	247
	\$ 2,684,046	745,597	3,429,643
Main products/services:			
Dialyzer and blood tubing	\$ 1,322,140	-	1,322,140
Erythropoietin and liquid medications	1,014,534	-	1,014,534
Hemodialysis machine, maintenance and repair	212,079	-	212,079
Respiration and anesthesia	-	245,190	245,190
Lease income	4,167	44,835	49,002
Service revenue	12,606	-	12,606
Others	118,520	455,572	574,092
	\$ 2,684,046	745,597	3,429,643
2. Contract balance			
	2024.12.31	2023.12.31	2023.1.1
Notes receivable	\$ 169,343	213,250	199,280
Long-term notes receivable	10,114	7,242	6,230
Accounts receivable	806,417	764,510	717,241
Receivables from related parties	75,691	105,661	122,110
Finance lease receivables	36,498	39,734	42,636
Long-term finance lease receivables	111,056	97,057	78,903
Overdue receivables	4,217	4,217	4,217
Deduction: Loss allowance	(24,484)	(22,941)	(18,066)
Total	\$ 1,188,852	1,208,730	1,152,551
	2024.12.31	2023.12.31	2023.1.1
Contractual liabilities for maintenance and repair services	\$ 46,526	32,633	26,239

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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 Company's 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 Company shall recognize this revenue gradually as the service is provided, which is expected to be completed within two to six years.

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

Employee remuneration for 2024 and 2023 was estimated at NT\$4,534 thousand and NT\$4,320 thousand, while director and supervisor remuneration was NT\$13,602 thousand and NT\$12,959 thousand, respectively. These estimates are calculated 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, and are recorded as operating expenses for 2024 and 2023. Relevant information can be found on 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 Company's 2024 and 2023 Parent Company Only Financial Statements.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(XXI) Non-operating income and expenses

1. Interest income

Other interest income for 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest on bank deposits	\$ 1,144	1,758
Interest income on finance lease receivables	5,910	7,476
	<u>\$ 7,054</u>	<u>9,234</u>

2. Other income

Other income for 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Rental Income	\$ 2,887	2,913
Commission income	-	3,862
Others	14,632	4,449
	<u>\$ 17,519</u>	<u>11,224</u>

3. Other gains and losses

Other gains and losses for 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Gains on foreign currency exchange	\$ 5,819	9,063
Gains (losses) on disposal of property, plant, and equipment	(3,404)	1,204
Net gain on financial assets (liabilities) at fair value through profit (loss)	1,883	(625)
Others	(1,200)	(59)
	<u>\$ 3,098</u>	<u>9,583</u>

4. Finance costs

Finance costs for 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest expenses	\$ 3,947	4,139

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(XXII) 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 Company stem from financial instruments associated with cash, bank deposits, and accounts receivable. The Company's cash is deposited in different financial institutions. The Company controls the credit risk exposure to each financial institution and believes that there is no significant concentration of credit risk in its cash and bank deposits.

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

2. Liquidity risk

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

	<u>Carrying Amount</u>	<u>Contract Cash Flow</u>	<u>Within 1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
December 31, 2024					
Non-derivative financial liabilities					
Short-term loans	\$ 260,000	261,410	261,410	-	-
Notes payable	6,254	6,254	6,254	-	-
Accounts payable	611,725	611,725	611,725	-	-
Payables to related parties	15,583	15,583	15,583	-	-
Other payables	152,243	152,243	152,243	-	-
Lease liabilities	2,256	2,311	842	1,469	-
	<u>\$ 1,048,061</u>	<u>1,049,526</u>	<u>1,048,057</u>	<u>1,469</u>	<u>-</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	<u>Carrying Amount</u>	<u>Contract Cash Flow</u>	<u>Within 1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
December 31, 2023					
Non-derivative financial liabilities					
Notes payable	\$ 7,515	7,515	7,515	-	-
Accounts payable	624,350	624,350	624,350	-	-
Payables to related parties	17,613	17,613	17,613	-	-
Other payables	163,933	163,933	163,933	-	-
Lease liabilities	3,456	3,550	1,239	2,075	236
Other forward exchange contracts	240	240	240	-	-
	<u>\$ 817,107</u>	<u>817,201</u>	<u>814,890</u>	<u>2,075</u>	<u>236</u>

The Company does not anticipate cash flows for the maturity analysis to occur earlier or differ significantly in amount.

3. Foreign exchange risk

(1) Exposure to foreign exchange risk

The Company's financial assets and liabilities that are exposed to significant foreign exchange rate risk:

	<u>2024.12.31</u>			<u>2023.12.31</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NT\$</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NT\$</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
JPY	\$ 171,937	0.2096	36,038	34,323	0.2171	7,452
USD	229	32.785	7,508	179	30.705	5,496
<u>Financial liabilities</u>						
<u>Monetary items</u>						
JPY	646,027	0.2096	135,407	489,429	0.2171	106,255
USD	1,837	32.785	60,226	1,183	30.705	36,324

(2) Sensitivity analysis

The Company's exposure to foreign exchange risk on monetary items mainly arises from cash, cash equivalents, other receivables, 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\$380 thousand and NT\$324 thousand,

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

respectively. The analysis for both periods is conducted using the same foundation.

(3) Exchange gains and losses on monetary items

The Company discloses information on foreign exchange gains and losses on monetary items on a consolidated basis. In 2024 and 2023, the Company recorded foreign exchange gains to be NT\$5,819 thousand and losses to be NT\$9,063 thousand, respectively.

4. Interest rate analysis

Financial assets and financial liabilities with interest rate risk:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Variable rate instruments (book value):		
Financial assets	\$ 197,207	155,540
Financial liabilities	260,000	-

Financial assets and financial liabilities with interest rate risk of the Company 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 and liabilities are analyzed by assuming that the amount of assets and liabilities outstanding at the reporting date is outstanding for the entire year. The rate of change used to internally report interest rates to key management personnel is 0.25% increase or decrease in the interest rate, which also represents management's assessment on the reasonably possible scope of interest rate.

If the interest rate increased or decreased by 0.25%, the Company's net income before tax in 2024 and 2023 would have increased or decreased by NT\$157 thousand and NT\$389 thousand, respectively, with all other variables remaining constant, which was mainly due to the Company's changing bank deposit rates and loans.

5. Information on fair value

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

The Company's financial assets and liabilities at fair value through profit or loss are measured at fair value 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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

value, and lease liabilities, of which fair value information disclosure is not required):

	2024.12.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 530	-	530	-	530
Financial assets at fair value through other comprehensive income	\$ 12,010	-	-	12,010	12,010
Financial assets at amortized cost:					
Cash and cash equivalents	\$ 145,668				
Notes and accounts receivable	957,072				
Receivables from related parties	75,235				
Finance lease receivables	36,133				
Other receivables	2,575				
Other financial assets - current	51,854				
Long-term notes receivable	10,011				
Long-term finance lease receivables	109,945				
Refundable deposits	52,036				
Subtotal	1,440,529				
Total	<u>\$ 1,453,069</u>				
Financial liabilities at amortized cost:					
Short-term loans	\$ 260,000				
Notes and accounts payable	617,979				
Payables to related parties	15,583				
Other payables	152,243				
Lease liabilities	2,256				
Subtotal	1,048,061				
Total	<u>\$ 1,048,061</u>				

	2023.12.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through other comprehensive income	\$ 268	-	-	268	268
Financial assets at amortized cost:					
Cash and cash equivalents	\$ 153,294				
Notes and accounts receivable	960,478				
Receivables from related parties	105,661				
Finance lease receivables	39,337				
Other receivables	650				
Other financial assets - current	2,647				
Long-term notes receivable	7,168				
Long-term finance lease receivables	96,086				

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	2023.12.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Refundable deposits	41,920				
Subtotal	<u>1,407,241</u>				
Total	<u>\$ 1,407,509</u>				
Financial liabilities at fair value through profit or loss	<u>\$ 240</u>	-	240	-	240
Financial liabilities at amortized cost:					
Notes and accounts payable	\$ 631,865				
Payables to related parties	17,613				
Other payables	163,933				
Lease liabilities	<u>3,456</u>				
Subtotal	<u>816,867</u>				
Total	<u>\$ 817,107</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.

Summary of fair values of financial instruments held by the Company that have an active market by category and attribute:

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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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 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
Recognized in other comprehensive income	(33,258)
Purchases	45,000
December 31, 2024	<u>\$ 12,010</u>
Balance as of December 31, 2023 (opening balance)	<u>\$ 268</u>

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

The fair value measurement of the Company 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 Company 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:

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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: 15.60%) 	<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

- (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 Company 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:

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

Favorable and unfavorable changes for the Company 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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(XXIII) Financial risk management

1. Summary

The company faces the following risks as a result of using financial instruments:

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

This note outlines the Company's exposure to the aforementioned risks, as well as its objectives, policies, and assessment and management procedures. For more detailed information and disclosure, please consult relevant notes in the Parent Company Only Financial Statements.

2. Risk management framework

The Board of Directors holds full responsibility for establishing and overseeing the Company's risk management framework. The Finance & Accounting Division 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 Company.

The Company's 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 Company does not participate in financial instrument transactions for speculative purposes.

3. Credit risk

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

(1) Accounts receivable

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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(2) Investment

The Finance & Accounting Division of the Company is responsible for measuring and monitoring the credit risk of bank deposits and other financial instruments. As all counterparties and performance parties of the Company 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 Company to deliver cash or other financial assets to meet financial obligations and fulfill related liabilities.

The Company supports the operations and reduces the impact of fluctuating cash flows by managing and maintaining sufficient cash and cash equivalents. The management of the Company 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 Company. As of December 31, 2024 and 2023, the Company had unutilized short-term bank financing limits of NT\$640,786 thousand and NT\$991,777 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 Company's 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 Company participates 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 Company is exposed to exchange rate risk arising from purchases that are not denominated in the functional currency of the Group's entities.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

Functional currencies of the Group are mainly NT\$, US\$ and RMB. Primary currencies utilized for transactions are NT\$, US\$, and JPY.

The Company mitigates exchange rate risks associated with estimated accounts payable resulting from anticipated purchases by primarily using forward foreign exchange 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 Company may promptly engage in foreign currency purchases or sales at the prevailing exchange rates to maintain an acceptable level of net exposure.

(2) Interest rate risk

The Company is exposed to cash flow risk due to the borrowing of funds by individual entities at floating interest rates.

(XXIV) Capital management

The Company's capital management objective 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 Company has the option to make adjustments to dividends paid to shareholders.

As part of business operations, the Company acquires working capital through bank financing, enhances operational funds by managing inventory and accounts receivable, and regularly reviews the asset-liability ratio to monitor its 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 Company as of December 31, 2024 and December 31, 2023:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Total liabilities	\$ 1,177,622	903,441
Deduction: Cash and cash equivalents	<u>(145,668)</u>	<u>(153,294)</u>
Net debt	<u>\$ 1,031,954</u>	<u>750,147</u>
Total equity	<u>\$ 3,001,923</u>	<u>2,983,868</u>
Debt ratio	<u>26%</u>	<u>20%</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(XXV) Non-cash transactions in investment and financing activities

The Company's non-cash transaction investment and financing activities for 2024 and 2023:

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

(XXVI) 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	Others	
Short-term loans	\$ -	260,000	-	-	260,000
Lease liabilities	3,456	(1,200)	-	-	2,256
Total liabilities from financing activities	<u>\$ 3,456</u>	<u>258,800</u>	<u>-</u>	<u>-</u>	<u>262,256</u>

	2023.1.1	Cash Flow	Non-cash Transactions		2023.12.31
			New Lease	Others	
Short-term loans	\$ 410,000	(410,000)	-	-	-
Lease liabilities	3,295	(1,148)	1,309	-	3,456
Total liabilities from financing activities	<u>\$ 413,295</u>	<u>(411,148)</u>	<u>1,309</u>	<u>-</u>	<u>3,456</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 Company's outstanding common shares. While the shareholding does not exceed 50%, it gained control over the financial and operational aspects of the Company on June 2, 2016, and is regarded as the parent company. Collins Co., Ltd. is the ultimate controlling entity of the Company's affiliated Group. Collins Co., Ltd. has prepared Consolidated Financial Statements for public dissemination.

- (II) Names and relations of related parties

Subsidiaries of the Company and other related parties that had transactions with the Company during the period covered in the Parent Company Only Financial Statements.

<u>Related Party</u>	<u>Relationship with the Company</u>
Collins Co., Ltd.	Ultimate controller of the Group to which the Company belongs
QSC Corp.	Associate of the Company
WS Far IR Medical Technology Co., Ltd.	Associate of the Company
Collins Co., Ltd.	Associate of the Company

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

<u>Related Party</u>	<u>Relationship with the Company</u>
Renalysis Medical Care Co., Ltd.	Subsidiary of the Company
Sin Hwa Co., Ltd.	Subsidiary of the Company
Sin Hwa Investment Co., Ltd.	Subsidiary of the Company
XinFu Healthcare Corp.	Subsidiary of the Company
HC Healthcare Co., Ltd.	Subsidiary of the Company
Succeed Agents Limited (referred to as "SA")	Subsidiary of the Company
Moral Well Co., Ltd., (referred to as "MW")	Subsidiary of the Company
Taicha Medical Corp. (Shanghai)	Subsidiary of the Company
PT Hiclearance Medical Indonesia (referred to as "HMI company")	Subsidiary of the Company
Yi Sheng Medical Care Co., Ltd.	Substantive related party of the Company
Xing Tian Medical Care Co., Ltd.	Substantive related party of the Company

(III) Significant transactions with related parties

1. Operating revenue

Significant 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	-
Subsidiary	46,518	38,949	15,431	20,250
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>\$ 300,070</u>	<u>400,154</u>	<u>75,235</u>	<u>105,330</u>

Prices of goods sold to related parties and terms of payment are not significantly different from those of normal sales.

Prices of goods sold to 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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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 Company from related parties and their outstanding balances:

	Purchases		Payables to related parties	
	2024	2023	2024.12.31	2023.12.31
Subsidiary	\$ 4,050	3,871	-	165
Associate	4,079	5,105	1,020	2,282
	\$ 8,129	8,976	1,020	2,447

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

3. Leases

(1) Rental income from related parties (classified under "Other income") and its outstanding balance:

	Rental Income		Receivables from related parties	
	2024	2023	2024.12.31	2023.12.31
Subsidiary				
Renalysis Medical Care Co., Ltd.	\$ 2,253	2,253	-	-
Sin Hwa Co., Ltd	57	57	-	-
Others	403	403	-	-
Associate	57	57	-	-
	\$ 2,770	2,770	-	-

4. Property Transactions

The summary of real estate, factory, and equipment sales to related parties is as follows:

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

	Amount of Transaction		Receivables from related parties	
	2024	2023	2024	2023
Subsidiary				
Renalysis Medical Care Co., Ltd.	\$ 119	-	125	-
HC-Healthcare Co., Ltd.	119	-	-	-
	\$ 238	-	125	-

5. Prepayments for equipment

Equipment of Related Parties of the Company:

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

On July 17, 2024, the 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 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.

6. Commission and labor expenses

Commissions, personnel support services and management consulting services paid to related parties (recorded under "Operating expenses") and outstanding balances:

	Amount of Transaction		Other payables to related parties	
	2024	2023	2024.12.31	2023.12.31
Parent company	\$ 10,000	10,000	10,000	10,000
Subsidiary	2,287	1,756	838	501
	\$ 12,287	11,756	10,838	10,501

The Company's parent company provides management consulting services and issues invoice for the rendered services.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

Subsidiaries provide personnel support services and charge labor expenses to the Company.

The Company conducts referral transactions through its subsidiaries and provides commissions in exchange, prices and payment terms offered to the subsidiaries are comparable to those offered to other vendors.

7. Other income

Amount and uncollected balance for management services and technology management consulting services provided to related parties (recorded under "Other income"):

	<u>Amount of Transaction</u>		<u>Other Receivables from Related Parties</u>	
	<u>2024</u>	<u>2023</u>	<u>2024.12.31</u>	<u>2023.12.31</u>
Subsidiary				
Renalysis Medical Care Co., Ltd.	\$ 180	180	16	16
Sin Hwa Co., Ltd	300	300	315	315
Associate	162	162	-	-
	<u>\$ 642</u>	<u>642</u>	<u>331</u>	<u>331</u>

8. Endorsement/Guarantee

The Company's endorsements/guarantees on behalf of related parties:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Subsidiary: Sin Hwa Co., Ltd.	\$ 50,000	50,000
Subsidiary: HC-Healthcare Co., Ltd.	120,000	120,000
	<u>\$ 170,000</u>	<u>170,000</u>

(IV) Major management personnel transactions

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 46,728	44,948
Share-based payment	-	1,202
	<u>\$ 46,728</u>	<u>46,150</u>

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

VIII. Pledged Assets

(I) Carrying values of assets pledged by the Company:

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	\$ 51,854	2,647
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
		\$ 210,277	162,654

(II) As of December 31, 2024 and 2023, the 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	\$ 10,569	1,250

On November 17, 2024, the 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 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.**

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

XII. Others

Employee benefits and depreciation expenses by function:

Functions Characteristics	2024			2023		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expenses	38,376	306,022	344,398	38,844	306,575	345,419
Labor and health insurance	3,670	23,786	27,456	3,633	22,764	26,397
Pension expenses	1,955	12,032	13,987	1,926	11,518	13,444
Remuneration paid to Directors	-	16,012	16,012	-	15,264	15,264
Other employee benefits	1,319	8,408	9,727	1,137	7,123	8,260
Depreciation expenses	24,531	22,277	46,808	22,415	19,197	41,612
Amortization expenses	-	5,369	5,369	-	2,381	2,381

Additional information on the number of employees and employee benefit expenses for 2024 and 2023:

	2024	2023
Number of employees	<u>298</u>	<u>288</u>
Number of directors who are not employees	<u>9</u>	<u>9</u>
Average employee benefits	<u>\$ 1,369</u>	<u>1,410</u>
Average employee salary expenses	<u>\$ 1,192</u>	<u>1,238</u>
Adjustment of average employee salary expenses	<u>(3.72)%</u>	<u>2.57%</u>
Supervisor remuneration	<u>\$ -</u>	<u>-</u>

Details regarding the Company's remuneration policy, which applies to Directors, Supervisors, Executives, and employees:

The Company establishes policies, standards, and procedures for remuneration payment, primarily in accordance with personnel regulations. Remuneration for Directors and Supervisors includes compensation for Independent Directors, remuneration from profit distribution, and transportation expenses. Independent Directors receive a fixed annual remuneration. In accordance with the Company's Articles of Incorporation, no more than 3% of the Company's annual earnings, if any, shall be set aside as remuneration to the Directors and Supervisors, and shall be submitted to the Board of Directors for resolution and reported in the shareholders' meeting; Independent Directors do not participate in the distribution of earnings. Travel expenses are paid based on industry standards, depending on attendance at Board meetings and circumstances of functional committees under the Board of Directors. Remuneration for managerial officers is determined in accordance with the Company's personnel regulations,

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

considering factors such as the scope of responsibilities, individual performance, educational qualifications, and industry salary levels for similar positions. Employee compensation policies include a monthly salary, holiday bonuses, year-end bonuses, sales bonuses, and performance bonuses. The distribution of employee bonuses is determined based on industry standards, overall operational performance and profitability of the Company, and the achievement rate of each division in meeting the Company's overall operational goals.

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

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

1. Loans provided for others: None.
2. 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

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 endorsees/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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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				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	
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%	-	

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

Unit: NT\$ thousand

Acquirer of Real Estate	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	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.

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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

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).

(II) Information on Invested Companies:

Details regarding the Company's 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			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.I.)	British Virgin Islands.	Financial holding and investment	49,649	11,918	1,575	100.00%	85,300	(2,245)	(2,245)	Subsidiary
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	62,793	62,791	Subsidiary
The Company	XinFu Healthcare Corp.	Sanchong District, New Taipei City	Medical management consulting services	50,000	50,000	5,000	100.00%	53,149	1,416	1,416	Subsidiary
The Company	Sin Hwa Co., Ltd.	Sanchong District, New Taipei City	Medical equipment trade	100,000	100,000	10,000	100.00%	118,301	13,736	13,736	Subsidiary
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	7,276	7,276	Subsidiary
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	3,279	3,279	Subsidiary
The Company	WS Far IR Medical Technology Co., Ltd.	Xindian District, New Taipei City	Medical equipment and devices manufacturing	63,600	63,600	600	30.00%	64,163	19,081	5,725	Associate
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	30,195	6,038	Associate
Succeed Agents Limited (B.V.I.)	Moral Well Co., Ltd.	Apia Samoa	Financial holding and investment	58,973	58,973	2,000	100.00%	31,367	(1,298)	(1,298)	Subsidiary
Succeed Agents Limited (B.V.I.)	PT Hiclearance Indonesia	Republic of Indonesia	Medical equipment trade	60,540	60,540	2,000	100.00%	51,026	(968)	(968)	Subsidiary

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

(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	Investment Profit/Loss Recognized for the Period	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 (USD 700)	(1,284 (USD 40))	100.00%	(1,284 (USD 40)) (Note 2)	31,357 (USD 956)	-
Shanghai Shen Shang Technology Co., Ltd. (Note 4)	Medical software development and technical services	18,064 (RMB4,034)	(III)	-	-	-	-	-	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: Investment gains and losses are recognized based on the financial statements audited by the parent company in Taiwan.

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.

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: 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 Company 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: None.

(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

Notes to the Parent Company Only Financial Statements of Hi-Clearance Inc. (Cont.)

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

Please consult the 2024 Consolidated Financial Statements.

Hi-Clearance Inc.
Cash and cash equivalents

December 31, 2024

Unit: NT\$ thousand

Item	Summary	Amount
Cash	Petty cash/revolving funds	\$ <u>315</u>
Bank deposits		
Check deposits		2,941
Demand deposits		98,897
Foreign currency deposits (Note)	JPY 171,852 thousand; US\$229 thousand	<u>43,515</u>
		<u>145,353</u>
Total		<u>\$ 145,668</u>

(Note): Foreign currency deposits are converted based on the spot exchange rate as of 12/31/2024.

JPY:NT\$ = 1:0.2096

US\$:NT\$ = 1:32.785

Hi-Clearance Inc.

Notes Receivable (Current and Non-current)

December 31, 2024

Unit: NT\$ thousand

<u>Item</u>	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Other categories (each comprising less than 5%)	\$ 169,343	10,338	179,681
Deduction: Unrealized interest income	-	(224)	(224)
Loss allowance	<u>(1,693)</u>	<u>(103)</u>	<u>(1,796)</u>
Total	<u>\$ 167,650</u>	<u>10,011</u>	<u>177,661</u>

Note: Refer to Note 8 for information on the status of the pledge.

Accounts Receivable

<u>Item</u>	<u>Amount</u>
Other categories (each comprising less than 5%)	<u>\$ 806,417</u>
Subtotal	806,417
Deduction: Loss allowance	<u>(16,995)</u>
Total	<u>\$ 789,422</u>

Hi-Clearance Inc.

Finance Lease Receivables (Current and Non-current)

December 31, 2024

Unit: NTS thousand

<u>Item</u>	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Saint Mary's Hospital Luodong	\$ 4,766	16,042	20,808
Other categories (each comprising less than 5%)	<u>36,195</u>	<u>108,871</u>	<u>145,066</u>
Subtotal	40,961	124,913	165,874
Deduction: Unrealized interest income	(4,463)	(13,857)	(18,320)
Loss allowance	<u>(365)</u>	<u>(1,111)</u>	<u>(1,476)</u>
Total	<u><u>\$ 36,133</u></u>	<u><u>109,945</u></u>	<u><u>146,078</u></u>

Statement of Other Financial Assets - Current

<u>Item</u>	<u>Amount</u>
Restricted bank deposits (Note)	<u><u>\$ 51,854</u></u>

Note: Refer to Note 8 for information on the status of the pledge.

Hi-Clearance Inc.
Statement of Inventories

December 31, 2024

Unit: NT\$ thousand

<u>Item</u>	<u>Summary</u>	<u>Cost</u>	<u>Market Value</u>	<u>Remark</u>
Commodities	Inventories	\$ 648,920	873,675	Net realizable value
Goods in transit	"	25,237	25,237	"
Deduction: Allowance for obsolete inventory		<u>(15,233)</u>		
Total		<u><u>\$ 658,924</u></u>		

Hi-Clearance Inc.

**Statement of Changes in Investments Accounted for Using the
Equity Method**

January 1 to December 31, 2024

Unit: NT\$ thousand/thousand shares

Item	Beginning balance		Increase		Decrease		Investment (Loss) Gain Recognized under Equity Method	Others (Note 1, 2, and 3)	Ending balance			Guarantee or Pledge
	Shares	Amount	Number of Shares (Note 4)	Amount	Shares	Amount			Shares	Percentage of Ownership	Amount	
Succeed Agents Limited (B.V.I)	375	\$ 84,521	1,200	-	-	-	(2,245)	3,024	1,575	100.00%	85,300	None
Renalysis Medical Care Co., Ltd.	10,000	265,780	-	-	-	(58,281)	62,791	74	10,000	100.00%	270,364	"
Sin Hwa Co., Ltd.	10,000	115,359	-	-	-	(10,794)	13,736	-	10,000	100.00%	118,301	"
Sin Hwa Investment Co., Ltd.	8,000	77,697	-	-	-	-	7,276	-	8,000	100.00%	84,973	"
XinFu Healthcare Corp.	5,000	53,772	-	-	-	(2,039)	1,416	-	5,000	100.00%	53,149	"
HC-Healthcare Co., Ltd.	36,517	135,397	-	-	-	-	3,279	-	36,517	100.00%	138,676	"
WS Far IR Medical Technology Co., Ltd.	600	62,756	-	-	-	(4,274)	5,725	(44)	600	30.00%	64,163	"
		<u>\$ 795,282</u>		<u>-</u>		<u>(75,388)</u>	<u>91,978</u>	<u>3,054</u>			<u>814,926</u>	

Note 1: Adjustments for foreign currency translation of Succeed Agents Limited (B.V.I).

Note 2: Reassessment number for the defined benefit plan of Renalysis Medical Care Co., Ltd.

Note 3: Foreign currency conversion adjustment amount of WS Far IR Medical Technology Co., Ltd.

Note 4: Shares of capital increase amount of Succeed Agents Limited (B.V.I).

Hi-Clearance Inc.
Statement of Other Non-current Assets
December 31, 2024

Unit: NT\$ thousand

Item	Amount
Refundable deposits	\$ 52,036
Prepaid distribution rights	45,714
Other categories (each comprising less than 5%)	17,369
Total	\$ 115,119

Statement of Notes Receivable

Item	Amount
Bioteque Corporation	\$ 6,238
Other categories (each comprising less than 5%)	16
Total	\$ 6,254

Hi-Clearance Inc.
Statement of Accounts Payable

December 31, 2024

Unit: NT\$ thousand

Item	Amount
Toray Medical Co., Ltd	\$ 136,045
Chi Sheng Chemical Corporation	113,924
Roche Products Ltd.	68,632
Vantive Healthcare Ltd.	47,035
Astar Chemical & Phar Co., Ltd.	44,248
MEDI-TOP (CHINA) INDUSTRY COMPANY LIMITED	44,404
Sunder Biomedical Tech. Co., Ltd.	31,273
Others	126,164
Total	\$ 611,725

Statement of Other Payables

Item	Amount
Incentives payable	\$ 98,861
Payment of employee and director remuneration	18,136
Others	35,246
Total	\$ 152,243

Hi-Clearance Inc.
Statement of Operating Revenue

January 1 to December 31, 2024

Unit: NT\$ thousand

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>
Dialyzer and blood tubing	20,691,124 PCS	\$ 1,336,133
Erythropoietin and liquid medications	11,534,301 vials/barrels	1,049,786
Hemodialysis machine, maintenance and repair	59,696 ET/PCS	194,541
Respiration and anesthesia	464,204 PCS	288,633
Lease income		54,767
Service revenue		13,144
Others (Note 1)	7,081,155 PCS	673,954
Net operating revenue		<u><u>\$ 3,610,958</u></u>

(Note 1) Additional categories include medical equipment and supplies, guide tube materials, and dental materials.

Statement of Operating Costs

<u>Item</u>	<u>Amount</u>
Beginning inventory	\$ 643,073
Addition: Current period net purchases	<u>2,665,911</u>
Goods available for sale	3,308,984
Deduction: Closing inventory	(674,157)
Reclassification of maintenance costs	(14,718)
Reclassification to operating expenses	(2,370)
Reclassification of fixed assets	(36,714)
Others	<u>(6,006)</u>
Subtotal	2,575,019
Addition: Inventory-related expenses	1,545
Labor costs	<u>112,935</u>
Operating costs	<u><u>\$ 2,689,499</u></u>

Hi-Clearance Inc.

Statement of Selling and Marketing Expenses

January 1 to December 31, 2024

Unit: NT\$ thousand

<u>Item</u>	<u>Amount</u>
Salaries	\$ 192,870
Donations	27,299
Shipping expenses	20,484
Commission expenses	41,037
Other categories (each comprising less than 5%)	94,879
Total	<u>\$ 376,569</u>

Statement of General and Administrative Expenses

<u>Item</u>	<u>Amount</u>
Salaries	\$ 125,712
Labor costs	20,023
Expenses for directors and supervisors	16,012
Depreciation	15,204
Other categories (each comprising less than 5%)	46,837
Total	<u>\$ 223,788</u>

For details regarding financial assets and liabilities at fair value through profit or loss, please refer to Note 6 (II) of the financial report.

For details regarding accounts receivable from related parties and accounts payable to related parties, please refer to Note 6 (IV) and Note 7.

For details regarding changes in property, plant and equipment and the accumulated depreciation, please refer to Note 6 (VII) of the financial report.

For details regarding changes in right-of-use assets and the accumulated depreciation, please refer to Note 6 (VIII) of the financial report.

For details regarding changes in investment property and the accumulated depreciation, please refer to Note 6 (IX) of the financial report.

For details regarding changes in intangible assets and the accumulated amortization, please refer to Note 6 (X) of the financial report.

For details regarding deferred income tax assets and liabilities, please refer to Note 6 (XV) of the financial report.

For details regarding lease liabilities, please refer to Note 6 (XII) of the financial report.

For details regarding other income, please refer to Note 6 (XXI) of the financial report.

For details regarding other gains and losses, please refer to Note 6 (XXI) of the financial report.

For details regarding finance costs, please refer to Note 6 (XXI) of the financial report.