

Hi-Clearance Inc. and Subsidiaries
Consolidated Financial Statements and
Independent Auditors' Report
2025 & 2024 Q1

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

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Independent Auditors' Report

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

Introduction

The March 31, 2025, and 2024 consolidated balance sheet of Hi-Clearance Inc. and subsidiaries, as well as the comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flows, and notes to the Consolidated Financial Statements for the period from January 1 to March 31, 2025, and 2024 (including the aggregation of significant accounting policies), have been audited by our CPAs. In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as approved and published by the Financial Supervisory Commission, the management is responsible for preparing the interim financial statements in accordance with IAS 34, Interim Financial Reporting. The auditors are responsible for forming a conclusion on the consolidated financial statements based on the review results.

Scope

In addition to the introductory paragraph that provides a summary of the conclusion, the auditor performed the review work in compliance with TWSRE2410 "Review of Financial Statements." The procedures conducted during the review of the consolidated financial statements involve making inquiries (mainly to personnel responsible for financial and accounting matters), performing analytical procedures, and conducting other review procedures. The scope of review work is clearly smaller than that of audit work, so the auditor may not be able to detect all significant matters that can be identified through an audit, and therefore cannot express an audit opinion.

Basis for Retaining Conclusions

As stated in Note 4(II) of the Consolidated Financial Statements, the non-significant subsidiaries included in the aforementioned Consolidated Financial Statements are based on the unaudited financial statements of those investee companies for the same period. As of March 31, 2025, and March 31, 2024, the total assets amounted to NT\$654,292 thousand and NT\$685,857 thousand, respectively, representing 13.06% and 14.29% of the consolidated total assets. The total liabilities amounted to NT\$279,740 thousand and NT\$277,504 thousand, respectively, accounting for 14.56% and 16.16% of the consolidated total liabilities. The comprehensive income for the period from January 1, 2025, to March 31, 2025, and January 1, 2024, to March 31, 2024, amounted to NT\$7,053 thousand and NT\$7,082 thousand, respectively, representing 8.29% and 7.28% of the consolidated comprehensive income.

In addition to the above, Note 6 (VI) of the Consolidated Financial Statements states that Hi-Clearance Inc. and its subsidiaries accounted for investments using the equity method were NT\$127,050 thousand and NT\$120,737 thousand on March 31, 2025, and March 31, 2024, respectively. The share of profit or loss from associates accounted for using the equity method for the period from January 1 to March 31, 2025, and 2024 was NT\$3,215 thousand and NT\$4,347 thousand, respectively, based on the unaudited financial statements of the investee companies for the same period.

Retaining Conclusions

Based on the CPA's review, with the exception of the potential impact on the Consolidated Financial Statements mentioned in the basis paragraph, there have been no significant deviations from the Securities Issuer Financial Reporting Standards and IAS 34 "Interim Financial Reporting" approved and issued by the Financial Supervisory Commission in the financial statements of the invested companies. Therefore, it is not possible to provide an assessment of the financial condition of Hi-Clearance Inc. and its subsidiaries as of March 31, 2025, and March 31, 2024, as well as the consolidated financial performance and cash flows for the period from January 1, 2025, to March 31, 2025, and January 1, 2024 to March 31, 2024.

KPMG Taiwan

Shu-Chih, Yang

CPA:

Shyh-Gang, Horng

Securities authorities approval
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May 2, 2025

Hi-Clearance Inc. and Subsidiaries
Consolidated Balance Sheets
March 31, 2025, December 31, 2024, and March 31, 2024

Unit: NT\$ thousand

	2025.3.31		2024.12.31		2024.3.31			2025.3.31		2024.12.31		2024.3.31			
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%		
Assets															
Current assets:															
1100	Cash and cash equivalents (Note 6 (I))	\$ 409,794	8	414,865	8	368,723	8	2100	Short-term loans (Note 6 (XI) and Note 8)	\$ 454,587	9	367,987	7	197,987	4
1110	Financial assets at fair value through profit or loss - current (Note 6 (II))	23,425	-	22,561	-	52,850	1	2130	Contract liabilities - current (Note 6 (XVIII))	19,682	-	19,604	-	14,230	-
1150	Net amount of notes receivable (Note 6 (IV), (XVIII) and Note 8)	197,869	4	183,794	4	229,623	5	2150	Notes payable	8,382	-	6,260	-	7,802	-
1170	Net amount of accounts receivable (Note 6 (IV), (XVIII))	1,010,215	20	957,359	19	952,115	20	2170	Accounts payable	589,382	12	655,695	13	700,950	15
1180	Net amount of accounts receivable - related parties (Notes 6 (IV), (XVIII) and Note 7)	28,111	1	59,804	1	76,637	2	2180	Accounts payable - related parties (Note 7)	1,530	-	1,020	-	2,741	-
1197	Net amount of financial leases receivable (Note 6 (IV), (XVIII))	37,532	1	36,133	1	39,406	1	2200	Other payables - others	110,320	2	174,610	4	109,315	2
1200	Other receivables	2,373	-	2,936	-	4,512	-	2220	Other payables - related parties (Note 7)	6,138	-	13,726	-	8,952	-
1300	Inventory (Note 6 (V))	643,202	13	671,681	14	703,620	14	2230	Current income tax liabilities	73,708	1	57,746	1	51,440	1
1410	Prepayments	37,940	1	23,263	-	99,845	2	2280	Lease liabilities - current (Note 6 (XII))	78,219	2	78,769	2	74,699	2
1476	Other financial assets - current (Note 8)	109,936	2	108,102	2	60,446	1	2300	Other current liabilities	26,250	1	27,090	1	26,191	1
1479	Other current assets - others	5,641	-	4,297	-	9,996	-		Total current liabilities	<u>1,368,198</u>	<u>27</u>	<u>1,402,507</u>	<u>28</u>	<u>1,194,307</u>	<u>25</u>
	Total current assets	<u>2,506,038</u>	<u>50</u>	<u>2,484,795</u>	<u>49</u>	<u>2,597,773</u>	<u>54</u>		Non-current liabilities:						
Non-current assets:															
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6 (III))	12,010	-	12,010	-	45,268	1	2527	Contract liabilities - non-current (Note 6 (XVIII))	27,175	1	26,922	1	18,104	-
1550	Investments accounted for using the equity method (Note 6 (VI))	127,050	3	123,835	2	120,737	3	2570	Deferred income tax liabilities	8,747	-	8,747	-	8,372	-
1600	Property, plant, and equipment (Notes 6 (VII) and 8)	1,316,764	26	1,272,551	26	1,060,322	22	2580	Lease liabilities - non-current (Note 6 (XII))	515,876	10	518,630	10	494,977	11
1755	Right-of-use assets (Note 6 (VIII))	569,883	11	571,407	12	547,623	11	2600	Other non-current liabilities	1,662	-	1,661	-	1,930	-
1760	Investment property (Note 6 (IX))	26,089	1	26,092	1	26,099	1		Total non-current liabilities	<u>553,460</u>	<u>11</u>	<u>555,960</u>	<u>11</u>	<u>523,383</u>	<u>11</u>
1780	Intangible assets (Note 6 (X))	242,505	5	174,187	4	184,839	4		Total liabilities	<u>1,921,658</u>	<u>38</u>	<u>1,958,467</u>	<u>39</u>	<u>1,717,690</u>	<u>36</u>
1840	Deferred income tax assets	5,612	-	5,612	-	4,917	-		Equity (Note 6 (XVI)):						
1930	Long-term notes receivable (Note 6 (IV), (XVIII) and Note 8)	8,407	-	10,011	-	6,295	-	3110	Capital stock	445,210	9	445,210	9	445,210	9
194D	Net amount of long-term financial leases receivable (Note 6 (IV), (XVIII))	101,842	2	109,945	2	95,022	2	3200	Capital surplus	1,601,988	32	1,601,988	33	1,601,988	33
1990	Other non-current assets - others (Note 7)	92,456	2	169,945	4	109,973	2	3300	Retained earnings	1,076,890	22	992,317	20	1,040,087	22
	Total non-current assets	<u>2,502,618</u>	<u>50</u>	<u>2,475,595</u>	<u>51</u>	<u>2,201,095</u>	<u>46</u>	3400	Other equity	(37,090)	(1)	(37,592)	(1)	(6,107)	-
	Total assets	<u>\$ 5,008,656</u>	<u>100</u>	<u>4,960,390</u>	<u>100</u>	<u>4,798,868</u>	<u>100</u>		Total equity	<u>3,086,998</u>	<u>62</u>	<u>3,001,923</u>	<u>61</u>	<u>3,081,178</u>	<u>64</u>
									Total liabilities and equity	<u>\$ 5,008,656</u>	<u>100</u>	<u>4,960,390</u>	<u>100</u>	<u>4,798,868</u>	<u>100</u>

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

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
January 1 to March 31, 2025 and 2024

Unit: NT\$ thousand

	January to March 2025		January to March 2024	
	Amount	%	Amount	%
4000 Operating revenue (Notes 6 (XVIII) and Note 7)	\$ 1,050,493	100	964,843	100
5000 Operating costs (Notes 6 (V), (XIV), Note 7, and Note 12)	780,112	74	706,950	73
Gross profit	<u>270,381</u>	<u>26</u>	<u>257,893</u>	<u>27</u>
Operating expenses (Notes 6 (IV), (XII), (XIV), (XIX), Note 7, and Note 12):				
6100 Selling and marketing expenses	98,696	10	86,749	9
6200 General and administrative expenses	67,106	6	65,916	7
6450 Expected credit losses (or reversal)	804	-	(338)	-
Total operating expenses	<u>166,606</u>	<u>16</u>	<u>152,327</u>	<u>16</u>
Net operating income	<u>103,775</u>	<u>10</u>	<u>105,566</u>	<u>11</u>
Non-operating income and expenses:				
7100 Interest income (Note 6 (XX))	2,155	-	2,083	-
7010 Other income (Note 6 (XX) and Note 7)	752	-	5,552	1
7020 Other gains and losses (Note 6 (XX))	(335)	-	3,659	-
7050 Financial costs (Notes 6 (XII) and (XX))	(4,339)	-	(2,507)	-
7060 Share of profit or loss of affiliates and joint ventures accounted for using the equity method (Note 6 (VI))	3,215	-	4,347	-
Total non-operating income and expenses	<u>1,448</u>	<u>-</u>	<u>13,134</u>	<u>1</u>
7900 Income before tax	105,223	10	118,700	12
7950 Deduction: Income tax expenses (Note 6 (XV))	20,650	2	22,597	2
Net income for the period	<u>84,573</u>	<u>8</u>	<u>96,103</u>	<u>10</u>
Other comprehensive income:				
Components that may be reclassified to profit or loss				
8361 Exchange differences on translation of financial statements of foreign operations	502	-	1,207	-
Total components that may be reclassified to profit or loss	<u>502</u>	<u>-</u>	<u>1,207</u>	<u>-</u>
8300 Other comprehensive income (net after tax)	502	-	1,207	-
Total comprehensive income for the period	<u>\$ 85,075</u>	<u>8</u>	<u>97,310</u>	<u>10</u>
Earnings per share (NT\$) (Note 6 (XVII))				
9750 Basic earnings per share (NT\$)	<u>\$ 1.90</u>		<u>2.16</u>	
9850 Diluted earnings per share (NT\$)	<u>\$ 1.90</u>		<u>2.16</u>	

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

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc. and Subsidiaries
Consolidated Statements of Changes in Equity
January 1 to March 31, 2025 and 2024

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	Unrealized Gains (Losses) in Equity Instruments at Fair Value Through Other Comprehensive Income	Others	Total equity
Balance as of January 1, 2024	\$ 445,210	1,601,988	400,322	4,776	538,886	943,984	(6,645)	-	(669)	2,983,868
Net income for the period	-	-	-	-	96,103	96,103	-	-	-	96,103
Other comprehensive income for the period	-	-	-	-	-	-	1,207	-	-	1,207
Total comprehensive income for the period	-	-	-	-	96,103	96,103	1,207	-	-	97,310
Balance as of March 31, 2024	\$ 445,210	1,601,988	400,322	4,776	634,989	1,040,087	(5,438)	-	(669)	3,081,178
Balance as of January 1, 2025	\$ 445,210	1,601,988	435,062	6,645	550,610	992,317	(3,665)	(33,258)	(669)	3,001,923
Net income for the period	-	-	-	-	84,573	84,573	-	-	-	84,573
Other comprehensive income for the period	-	-	-	-	-	-	502	-	-	502
Total comprehensive income for the period	-	-	-	-	84,573	84,573	502	-	-	85,075
Balance as of March 31, 2025	\$ 445,210	1,601,988	435,062	6,645	635,183	1,076,890	(3,163)	(33,258)	(669)	3,086,998

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

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc. and Subsidiaries
Consolidated Statements of Cash Flows
January 1 to March 31, 2025 and 2024

Unit: NT\$ thousand

	January to March 2025	January to March 2024
Cash flows from operating activities:		
Income before tax for the period	\$ 105,223	118,700
Adjustment items:		
Adjustments to reconcile profit (loss)		
Depreciation expenses	42,183	38,299
Amortization expenses	8,083	4,140
Expected credit losses (or reversal)	804	(338)
Net gain on financial assets and liabilities at fair value through profit or loss	(4,046)	(1,616)
Interest expenses	4,339	2,507
Interest income	(2,155)	(2,083)
Share of profit of associates and joint ventures accounted for using the equity method	(3,215)	(4,347)
Gain on disposal of property, plant, and equipment	(1,833)	(552)
Gains on lease modifications	(2,472)	-
Total adjustments to reconcile profit (loss)	41,688	36,010
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	3,182	511
Decrease (increase) in notes receivable	(12,557)	1,172
Increase in accounts receivable and financial leases	(46,866)	(31,112)
Decrease in accounts receivable - related parties	31,693	8,443
Decrease (increase) in other receivables	563	(3,171)
Decrease (increase) in inventory	16,813	(74,483)
Increase in prepayments	(16,774)	(30,662)
Increase in other current assets	(2,925)	(2,104)
Increase in other financial assets	(1,834)	(1,551)
Decrease (increase) in operating assets	659	(5,480)
Total net changes in assets related to operating activities	(28,046)	(138,437)
Decrease in financial liabilities at fair value through profit or loss	-	(19)
Increase (decrease) in contractual liabilities	331	(299)
Increase in notes payable	2,122	281
Increase (decrease) in accounts payable	(66,313)	19,781
Increase in payables to related parties	510	459
Decrease in other payables	(64,290)	(75,282)
Decrease in other payables - related parties	(7,588)	(5,713)
Decrease in other current liabilities	(840)	(325)
Decrease in net defined benefit liabilities	-	(133)
Increase in other non-current liabilities	1	-
Total net changes in liabilities related to operating activities	(136,067)	(61,250)
Total net changes in assets and liabilities related to operating activities	(164,113)	(199,687)
Total adjustment items	(122,425)	(163,677)
Cash outflows from operations	(17,202)	(44,977)
Interest received	2,155	2,083
Interest paid	(4,339)	(2,507)
Income tax paid	(4,688)	(375)
Net cash outflows from operating activities	(24,074)	(45,776)
Cash flows from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(45,000)
Acquisition of property, plant, and equipment	(17,953)	(2,291)
Disposal of property, plant, and equipment	2,337	1,324
Increase in refundable deposits	(22,756)	(15,044)
Decrease in refundable deposits	22,967	11,231
Intangible asset acquisition	(30,492)	-
Increase in prepayments for equipment	(1,443)	(13,958)
Net cash flows used in investing activities	(47,340)	(63,738)
Cash flows from financing activities:		
Increase in short-term loans	487,986	230,000
Decrease in short-term loans	(401,386)	(123,578)
Repayments of long-term loans	-	(12,475)
Lease principal payment	(20,818)	(18,153)
Net cash inflow from financing activities	65,782	75,794
Effects of exchange rate changes on the balance of cash held in foreign currencies	561	1,306
Decrease in cash and cash equivalents during the period	(5,071)	(32,414)
Cash and cash equivalents at beginning of period	414,865	401,137
Cash and cash equivalents at end of period	\$ 409,794	368,723

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

Chairman: Lee Chung-Liang

Executive: Chen Kuo-Shih

Chief Accountant: Chang Yaw-Yuan

Hi-Clearance Inc. and Subsidiaries
Notes to Consolidated Financial Statements
2025 & 2024 Q1

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

I. Company History

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

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

The Consolidated Financial Statements have been approved for release by the Board of Directors on May 2, 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, 2025, the Consolidated Companies have been implementing the newly revised International Financial Reporting Standards (IFRSs), which has not significantly impacted the Consolidated Financial Statements.

- Amendments to IAS 21 "Lack of Exchangeability"
- IFRS 9 and amendments to IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments," including the application guidance under Section 4.1 of IFRS 9 and the related disclosure requirements under IFRS 7

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

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

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

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. 	January 1, 2027

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

New or Amended Standards	Main Content for Amendments	Effective Date of Issuance by the IASB
	<ul style="list-style-type: none"> 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. 	

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

The Consolidated Companies do not expect the following new releases and amendments to standards, that have yet to be endorsed by the FSC, to have a material impact on the Consolidated Financial Statements.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture”
- IFRS 17 "Insurance Contracts" and amendments to IFRS 17
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- IFRS 9 and amendments to IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments," including the application guidance under Section 3.1 and 3.3 of IFRS 9 and the related disclosure requirements under IFRS 7
- Annual improvements to IFRS
- IFRS 9 and amendments to IFRS 7 "Nature-Linked Electricity Contracts"

IV. Summary of Significant Accounting Policies

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

(I) Compliance declaration

The Consolidated Financial Statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers

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

(hereinafter referred to as the "Regulations") and IAS 34 "Interim Financial Reporting" endorsed and issued into effect by the FSC. The Consolidated Financial Statements do not include all the necessary information that should be disclosed in the full annual Consolidated Financial Statements prepared in accordance with the International Financial Reporting Standards, International Accounting Standards, Interpretations, and Interpretation Announcements (hereinafter referred to as the "FSC-endorsed International Financial Reporting and Accounting Standards") approved and issued by the FSC and in effect.

Except as described below, the significant accounting policies adopted in the Consolidated Financial Statements are the same as those in the Consolidated Financial Statements for the year 2024. For further details, please see Note 4 of the Consolidated Financial Statements for the year 2024.

(II) Basis of consolidation

1. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the Consolidated Financial Statements:

Name of Investor	Name of Subsidiary	Nature of Business	Percentage of Shareholding			Description
			2025.3.31	2024.12.31	2024.3.31	
The Company	Succeed Agents Limited (B.V.I.) (referred to as "SA company")	Financial holding and investment	100.00%	100.00%	100.00%	Note 1
The Company	Renalysis Medical Care Co., Ltd.	Medical management consulting services	100.00%	100.00%	100.00%	
The Company	XinFu Healthcare Corp.	Medical management consulting services	- %	100.00%	100.00%	(Note 2)
The Company	Sin Hwa Co., Ltd.	Medical equipment trade	100.00%	100.00%	100.00%	Note 1
The Company	Sin Hwa Investment Co., Ltd.	Financial holding and investment	100.00%	100.00%	100.00%	Note 1
The Company	HC Healthcare Co., Ltd.	Medical management consulting services and medical equipment trading	100.00%	100.00%	100.00%	Note 1
SA company	PT Hiclearance Medical Indonesia (referred to as "HMI company")	Medical equipment trade	100.00%	100.00%	100.00%	Note 1
SA company	Moral Well Co., Ltd., (referred to as "MW company")	Financial holding and investment	100.00%	100.00%	100.00%	Note 1
MW company	Taicha Medical Corp. (Shanghai)	International trade and re-export trade	100.00%	100.00%	100.00%	Note 1

Note 1: Subsidiaries of little importance and the financial statements have not been audited by the CPA.

Note 2: On November 8, 2024, the Board of Directors of XinFu Healthcare Corp. approved the liquidation process. As of March 24, 2025, the relevant liquidation procedures have not been completed.

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

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

(III) Income Tax

The Consolidated Companies comply with IAS 34, "Interim Financial Reporting," paragraph B12. This standard specifies the measurement and disclosure of income tax expenses for the interim period.

The income tax expense is calculated by multiplying the net profit before tax for the reporting period by the management's best estimate of the effective tax rate for the full year. The current income tax expense and deferred income tax expense are then allocated based on the proportion of the estimated full-year current income tax expense and deferred income tax expense.

Income tax expenses that are recognized in equity items or other comprehensive income items are measured based on the temporary differences between the carrying amounts of the related assets and liabilities for financial reporting purposes and their tax bases. This measurement is done using the applicable tax rates that are expected to be realized or settled upon.

(IV) Employee benefits

During the midterm period, the defined benefit plans are based on the actuarial retirement cost rate as of the reporting date of the previous year. The calculation covers the period from the beginning of the year to the end of the current period, and adjustments are made for significant market fluctuations, substantial reductions, liquidations, or other significant one-time events that occur after the reporting date.

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

When preparing the Consolidated Financial Statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and the IAS 34 "Interim Financial Reporting" approved by the FSC, 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.

When preparing the Consolidated Financial Statements, management made significant judgments and estimates regarding uncertainties in adopting the accounting policies of the Consolidated Companies, in accordance with Note 5 of the Consolidated Financial Statements for the year 2024.

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

VI. Details of Significant Accounts

Except as described below, there are no significant differences in the descriptions of the major accounting items in this Consolidated Financial Statement compared to the report in 2024. For related information, please refer to Note 6 of the 2024 Consolidated Financial Statement.

(I) Cash and cash equivalents

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Cash on hand	\$ 420	392	482
Demand deposits	316,074	350,173	268,741
Time deposits	<u>93,300</u>	<u>64,300</u>	<u>99,500</u>
Cash and cash equivalents in the consolidated statement of cash flows	<u>\$ 409,794</u>	<u>414,865</u>	<u>368,723</u>

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

1. Details are as follows:

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Financial assets mandatorily measured at fair value through profit or loss:			
Beneficiary certificate - \$ fund	21,811	22,031	52,797
Non-hedging derivative instruments - Forward foreign exchange contracts	<u>1,614</u>	<u>530</u>	<u>53</u>
Total	<u>\$ 23,425</u>	<u>22,561</u>	<u>52,850</u>

2. Non-hedging derivative instruments

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

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

2025.3.31			
	Contract Amount	Currency	Maturity period
Derivative financial assets:			
Forward foreign exchange contracts	JPY 115,620	NTD to JPY	2025.04.09~2025.04.24

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

2024.3.31			
	Contract Amount	Currency	Maturity period
Derivative financial assets:			
Forward foreign exchange contracts	JPY 32,109	NTD to JPY	2024.02.16~2024.04.02

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

	2025.3.31	2024.12.31	2024.3.31
Domestic unlisted (over-the-counter) stocks - Taiwan Depository & Clearing Corporation	\$ 268	268	268
Domestic unlisted (over-the-counter) stocks - EPED Inc.	11,742	11,742	45,000
Total	\$ 12,010	12,010	45,268

1. The Consolidated Companies hold these investments in equity instruments as long-term strategic investments and not for trading purposes, therefore, they have been designated to be at fair value through other comprehensive income.
2. From January 1 to March 31, 2025, and 2024, the Consolidated Companies did not dispose of any strategic investments, and there were no transfers of accumulated gains and losses within the equity during that period.

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

3. The above financial assets have not been pledged as collateral.

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Notes receivable	\$ 200,742	186,565	232,928
Long-term notes receivable	8,494	10,114	6,360
Accounts receivable	1,031,691	978,053	970,991
Receivables from related parties	28,111	59,804	76,637
Finance lease receivables	37,911	36,498	39,804
Long-term finance lease receivables	102,871	111,056	95,982
Overdue receivables	4,217	4,217	4,217
Deduction: Loss allowance	<u>(30,061)</u>	<u>(29,261)</u>	<u>(27,821)</u>
Net amount	<u>\$ 1,383,976</u>	<u>1,357,046</u>	<u>1,399,098</u>

For details regarding the Consolidated Companies' bills for collection deposited in banks in the amounts of NT\$193,612 thousand, NT\$179,682 thousand, and NT\$219,612 thousand, respectively, as collateral for 10-20% of the forward letters of credit as of March 31, 2025, December 31, 2024, and March 31, 2024, please refer to Note 8.

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Under 1 year	\$ 42,438	40,961	44,844
1-2 year(s)	32,405	31,210	27,903
2-3 years	23,861	22,252	21,660
3-4 years	18,444	16,400	14,792
4-5 years	11,089	11,198	10,995
Over 5 years	<u>29,990</u>	<u>43,853</u>	<u>33,440</u>
Total lease investment	158,227	165,874	153,634
Unearned financing income	<u>(17,445)</u>	<u>(18,320)</u>	<u>(17,848)</u>
Present value of lease payments receivable	140,782	147,554	135,786
Deduction: Loss allowance	<u>(1,408)</u>	<u>(1,476)</u>	<u>(1,358)</u>
Net amount	<u>\$ 139,374</u>	<u>146,078</u>	<u>134,428</u>

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Overdue receivables	\$ 4,217	4,217	4,217
Deduction: Loss allowance	(4,217)	(4,217)	(4,217)
	<u>\$ -</u>	<u>-</u>	<u>-</u>

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

	<u>2025.3.31</u>		
	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	\$ 1,354,734	0.37%	4,981
1-180 days overdue	32,512	10.42%	3,387
181-365 days overdue	3,956	28.36%	1,122
Over 366 days overdue	<u>22,835</u>	90.09%	<u>20,571</u>
	<u>\$ 1,414,037</u>		<u>30,061</u>
	<u>2024.12.31</u>		
	Carrying Amounts of Notes and Accounts Receivable, Finance Leases Receivable and Collections	Weighted Average Expected Credit Loss Rate	Allowance for Expected Credit Losses During the Period
Not overdue	\$ 1,362,315	0.39%	5,269
1-180 days overdue	271	100%	271
181-365 days overdue	1,861	100%	1,861
Over 366 days overdue	<u>21,860</u>	100%	<u>21,860</u>
	<u>\$ 1,386,307</u>		<u>29,261</u>

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

	2024.3.31		
	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	\$ 1,367,863	0.00%	-
1-180 days overdue	33,643	7.85%	2,642
181-365 days overdue	8,590	97.28%	8,356
Over 366 days overdue	<u>16,823</u>	100%	<u>16,823</u>
	<u>\$ 1,426,919</u>		<u>27,821</u>

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

	January to March 2025	January to March 2024
Beginning balance	\$ 29,261	28,151
Recognized impairment loss	804	(338)
Foreign currency exchange gain/loss	(4)	8
Ending balance	<u>\$ 30,061</u>	<u>27,821</u>

(V) Inventories

	2025.3.31	2024.12.31	2024.3.31
Commodities	\$ 643,202	643,669	703,620
Goods in transit	-	28,012	-
	<u>\$ 643,202</u>	<u>671,681</u>	<u>703,620</u>

From January 1 to March 31, 2025, inventory was adjusted to its net realizable value, leading to an inventory impairment loss of NT\$1,719 thousand.

From January 1 to March 31, 2024, 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\$1,991 thousand in operating costs was recognized due to an increase in net realizable value.

As of March 31, 2025, December 31, 2024, and March 31, 2024, none of the inventories of the Consolidated Companies have been pledged as collaterals.

(VI) Investments accounted for using the equity method

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

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Associate	<u>\$ 127,050</u>	<u>123,835</u>	<u>120,737</u>

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Closing aggregated carrying amount of interests in individually insignificant related parties	<u>\$ 127,050</u>	<u>123,835</u>	<u>120,737</u>

	<u>January to March 2025</u>	<u>January to March 2024</u>
Equity owned by the Consolidated Companies:		
Net profit from ongoing operations for the current period	\$ 3,215	4,347
Total comprehensive income	<u>\$ 3,215</u>	<u>4,347</u>

2. As of March 31, 2025, December 31, 2024, and March 31, 2024, no investments in related parties of the Consolidated Companies, accounted for under the equity method, have been pledged as collaterals.

3. Investments accounted for using the equity method without auditing

Investee and Consolidated Companies that use the equity method calculate their share of profit and other comprehensive income based on unaudited financial statements.

(VII) Property, plant, and equipment

Changes in cost and depreciation of properties, plants, and equipment of the Consolidated Companies from January 1 to March 31, 2025, and 2024:

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (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>
Cost:							
Balance as of January 1, 2025	\$ 618,850	459,772	5,516	97,647	444,067	-	1,625,852
Addition	-	1,839	771	56	1,820	13,467	17,953
Reclassifications	-	3,483	-	2,263	9,980	31,961	47,687
Disposal and obsolescence	-	-	-	(204)	(663)	-	(867)
Effects of exchange rate changes	-	-	-	1	(85)	-	(84)
Balance as of March 31, 2025	<u>\$ 618,850</u>	<u>465,094</u>	<u>6,287</u>	<u>99,763</u>	<u>455,119</u>	<u>45,428</u>	<u>1,690,541</u>
Balance as of January 1, 2024	\$ 412,632	455,875	4,565	83,044	417,090	-	1,373,206
Addition	-	-	-	591	1,700	-	2,291
Reclassifications	-	-	-	975	15,686	-	16,661
Disposal and obsolescence	-	-	-	(1,150)	(1,499)	-	(2,649)
Effects of exchange rate changes	-	-	-	3	34	-	37
Balance as of March 31, 2024	<u>\$ 412,632</u>	<u>455,875</u>	<u>4,565</u>	<u>83,463</u>	<u>433,011</u>	<u>-</u>	<u>1,389,546</u>
Depreciation:							
Balance as of January 1, 2025	\$ -	78,718	2,535	48,114	223,934	-	353,301
Current year depreciation	-	2,892	179	3,791	13,808	-	20,670
Reclassifications	-	-	-	359	(168)	-	191
Disposal and obsolescence	-	-	-	(30)	(333)	-	(363)
Effects of exchange rate changes	-	-	-	-	(22)	-	(22)
Balance as of March 31, 2025	<u>\$ -</u>	<u>81,610</u>	<u>2,714</u>	<u>52,234</u>	<u>237,219</u>	<u>-</u>	<u>373,777</u>
Balance as of January 1, 2024	\$ -	67,549	1,984	35,864	206,259	-	311,656
Current year depreciation	-	2,781	132	2,925	13,617	-	19,455
Reclassifications	-	-	-	-	(21)	-	(21)
Disposal and obsolescence	-	-	-	(653)	(1,224)	-	(1,877)
Effects of exchange rate changes	-	-	-	1	10	-	11
Balance as of March 31, 2024	<u>\$ -</u>	<u>70,330</u>	<u>2,116</u>	<u>38,137</u>	<u>218,641</u>	<u>-</u>	<u>329,224</u>
Carrying amount:							
January 1, 2025	<u>\$ 618,850</u>	<u>381,054</u>	<u>2,981</u>	<u>49,533</u>	<u>220,133</u>	<u>-</u>	<u>1,272,551</u>
March 31, 2025	<u>\$ 618,850</u>	<u>383,484</u>	<u>3,573</u>	<u>47,529</u>	<u>217,900</u>	<u>45,428</u>	<u>1,316,764</u>
January 1, 2024	<u>\$ 412,632</u>	<u>388,326</u>	<u>2,581</u>	<u>47,180</u>	<u>210,831</u>	<u>-</u>	<u>1,061,550</u>
March 31, 2024	<u>\$ 412,632</u>	<u>385,545</u>	<u>2,449</u>	<u>45,326</u>	<u>214,370</u>	<u>-</u>	<u>1,060,322</u>

On April 16, 2024, the Consolidated Companies acquired the "Chiayi Interchange Special Zone Goods Transfer Center Area Land Readjustment Area," as announced by the Chiayi County Government, through a public bidding process. The land is

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

intended for a warehouse expansion plan. The total transaction amount was NT\$206,218 thousand, and the land payment has been completed. The relevant ownership registration procedures were finalized on August 14, 2024.

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

(VIII) Right-of-use assets

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

	Building and Construction	Transportation Equipment	Total
Costs of right-of-use assets:			
Balance as of January 1, 2025	\$ 874,203	1,309	875,512
Addition	49,700	2,510	52,210
Decrease	(67,497)	-	(67,497)
Balance as of March 31, 2025	<u>\$ 856,406</u>	<u>3,819</u>	<u>860,225</u>
Balance as of January 1, 2024	\$ 781,067	1,309	782,376
Addition	47,010	-	47,010
Balance as of March 31, 2024	<u>\$ 828,077</u>	<u>1,309</u>	<u>829,386</u>
Accumulated depreciation of right-of-use assets:			
Balance as of January 1, 2025	\$ 303,269	836	304,105
Current period depreciation	21,101	409	21,510
Decrease	(35,273)	-	(35,273)
Balance as of March 31, 2025	<u>\$ 289,097</u>	<u>1,245</u>	<u>290,342</u>
Balance as of January 1, 2024	\$ 262,521	400	262,921
Current period depreciation	18,733	109	18,842
Balance as of March 31, 2024	<u>\$ 281,254</u>	<u>509</u>	<u>281,763</u>
Carrying amount:			
January 1, 2025	<u>\$ 570,934</u>	<u>473</u>	<u>571,407</u>
March 31, 2025	<u>\$ 567,309</u>	<u>2,574</u>	<u>569,883</u>
January 1, 2024	<u>\$ 518,546</u>	<u>909</u>	<u>519,455</u>
March 31, 2024	<u>\$ 546,823</u>	<u>800</u>	<u>547,623</u>

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

(IX) Investment properties

	<u>Land and Improvements</u>	<u>Building and Construction</u>	<u>Total</u>
Carrying amount:			
January 1, 2025	\$ 25,736	356	26,092
March 31, 2025	\$ 25,736	353	26,089
January 1, 2024	\$ 25,736	365	26,101
March 31, 2024	\$ 25,736	363	26,099

There were no significant additions, disposals, impairments, or reversals of investment properties of the Consolidated Companies during the period from January 1 to March 31, 2025 and 2024. Please refer to Note 12 (I) for the depreciation amount for this period. For other related information, please see Note 6 (IX) of the 2024 Consolidated Financial Statements.

As of March 31, 2025, December 31, 2024, and March 31, 2024, no investment properties of the Consolidated Companies were pledged as collaterals.

There are no significant differences in the disclosed information regarding the fair value of investment properties between the Consolidated Financial Statements of the Consolidated Companies and Note 6 (IX) to the 2024 Consolidated Financial Statements.

(X) Intangible assets

Changes in cost and amortization of intangible assets of the Consolidated Companies from January 1 to March 31, 2025 and 2024:

	<u>Goodwill</u>	<u>Other Intangible Assets</u>	<u>Others</u>	<u>Total</u>
Cost:				
Balance as of January 1, 2025	\$ 116,961	121,741	-	238,702
Addition	-	15	30,477	30,492
Reclassifications	-	195	45,714	45,909
Balance as of March 31, 2025	\$ 116,961	121,951	76,191	315,103
Balance as of January 1, 2024	\$ 116,961	119,910	-	236,871
Balance as of March 31, 2024	\$ 116,961	119,910	-	236,871

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

	<u>Goodwill</u>	<u>Other Intangible Assets</u>	<u>Others</u>	<u>Total</u>
Amortization:				
Balance as of January 1, 2025	\$ -	64,515	-	64,515
Current period amortization	-	4,273	3,810	8,083
Balance as of March 31, 2025	<u>\$ -</u>	<u>68,788</u>	<u>3,810</u>	<u>72,598</u>
Balance as of January 1, 2024	\$ -	47,892	-	47,892
Current period amortization	-	4,140	-	4,140
Balance as of March 31, 2024	<u>\$ -</u>	<u>52,032</u>	<u>-</u>	<u>52,032</u>
Carrying amount:				
January 1, 2025	<u>\$ 116,961</u>	<u>57,226</u>	<u>-</u>	<u>174,187</u>
March 31, 2025	<u>\$ 116,961</u>	<u>53,163</u>	<u>72,381</u>	<u>242,505</u>
January 1, 2024	<u>\$ 116,961</u>	<u>72,018</u>	<u>-</u>	<u>188,979</u>
March 31, 2024	<u>\$ 116,961</u>	<u>67,878</u>	<u>-</u>	<u>184,839</u>

As of March 31, 2025, December 31, 2024, and March 31, 2024, none of the intangible assets of the Consolidated Companies were pledged as collaterals.

(XI) Short-term loans

Short-term loans of the Consolidated Companies:

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Unsecured bank loans	\$ 334,587	200,000	100,000
Secured bank loans	120,000	167,987	97,987
Total	<u>\$ 454,587</u>	<u>367,987</u>	<u>197,987</u>
Unused credit line	<u>\$ 731,133</u>	<u>702,799</u>	<u>915,957</u>
Interest rate	<u>1.825~2.150%</u>	<u>1.825~2.150%</u>	<u>1.79%~1.95%</u>

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

(XII) Lease liabilities

Carrying amount of the consolidated lease liabilities:

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Current	<u>\$ 78,219</u>	<u>78,769</u>	<u>74,699</u>
Non-current	<u>\$ 515,876</u>	<u>518,630</u>	<u>494,977</u>

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

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

Leases recognized in the income statement:

	January to March 2025	January to March 2024
Interest expenses for lease liabilities	<u>\$ 2,190</u>	<u>1,733</u>
Changes in lease payments not accounted for in measurement of lease liabilities	<u>\$ 1,203</u>	<u>765</u>
Income from subleasing right-of-use assets	<u>\$ 23,435</u>	<u>21,551</u>
Short-term lease expenses	<u>\$ 1,174</u>	<u>363</u>
Expenses for low-value lease assets (excluding low-value short-term leases)	<u>\$ 47</u>	<u>34</u>

Leases recognized in the cash flow statement:

	January to March 2025	January to March 2024
Total cash flows on lease	<u>\$ 25,432</u>	<u>21,048</u>

1. Real estate, construction, and transportation equipment leasing

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

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

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

2. Other leases

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

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

(XIII) Operating leases

The Consolidated Companies had no significant new operating lease agreements from January 1 to March 31, 2025 and 2024. For related information, please refer to Note 6 (XV) of the 2024 Consolidated Financial Statements.

(XIV) Employee benefits

1. Defined benefit plans

The details of expenses reported by the Consolidated Companies are as follows:

	January to March 2025	January to March 2024
Operating costs	\$ 6	6
Selling and marketing expenses	1,441	1,430
Total	<u>\$ 1,447</u>	<u>1,436</u>

2. Defined contribution plans

Pension costs under the defined contribution plan amounted are as follows, and have been allocated to the Bureau of Labor Insurance:

	January to March 2025	January to March 2024
Operating costs	\$ 765	727
Operating expenses	3,394	3,042
Total	<u>\$ 4,159</u>	<u>3,769</u>

(XV) Income Tax

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

	January to March 2025	January to March 2024
Income tax expenses	<u>\$ 20,650</u>	<u>22,597</u>

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

3. Income tax assessment

The income tax settlement declarations of the Company, Renalysis Medical Care, Sin Hwa Co., Ltd, Sin Hwa, HC-Healthcare income tax settlement declaration have been approved by tax authorities until 2023.

(XVI) Capital and other equity

Except as described below, there were no significant changes in capital and other equity for the Consolidated Companies from January 1 to March 31, 2025 and 2024.

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

For related information, please refer to Note 6 (XVII) of the 2024 Consolidated Financial Statements.

1. Capital Surplus

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

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Premium on share issuance	\$ 1,591,611	1,591,611	1,591,611
Employees stock option	9,174	9,174	9,174
Expired stock options	706	706	706
Income from donations	497	497	497
	<u>\$ 1,601,988</u>	<u>1,601,988</u>	<u>1,601,988</u>

2. Retained Earnings

In accordance with the Articles of Incorporation, if the annual final accounts show a surplus, taxes should be paid first to offset any past losses, then 10% of the surplus should be allocated to legal reserve, unless the legal reserve has already reached the paid-in capital. Furthermore, a special reserve may be set aside based on operational needs and legal requirements of the Consolidated Companies. Afterwards, if there is still a surplus and unappropriated earnings from the 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 in a period of business growth. The dividend policy prioritizes the future development and financial condition of the Company while also considering reasonable returns for shareholders. The amount of dividends and profits distributed to shareholders shall not be less than fifty percent of the distributable earnings for the year, of which at least fifty percent shall be distributed in cash dividends.

(1) Distribution of earnings

The Company presented the 2024 profit distribution plan to the Board of Directors on February 21, 2025. The 2023 profit distribution plan was approved at the Shareholders' Meeting on May 29, 2024. The amount of dividends distributed to the shareholders are as follows:

	<u>2024</u>		<u>2023</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>

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

(XVII) Earnings per share

The calculation of basic earnings per share is as follows:

	<u>January to March 2025</u>	<u>January to March 2024</u>
Basic earnings per share		
Net income attributable to the Company for the current period	\$ 84,573	96,103
Net profit attributable to the common equity holders of the Company	<u>\$ 84,573</u>	<u>96,103</u>
Weighted average number of common shares outstanding (thousand shares)	<u>44,521</u>	<u>44,521</u>
	<u>\$ 1.90</u>	<u>2.16</u>
Diluted earnings per share		
Net income attributable to the Company for the current period	\$ 84,573	96,103
Net profit attributable to the common equity holders of the Company (After adjusting for the effects of dilutive potential common shares)	<u>\$ 84,573</u>	<u>96,103</u>
Weighted average number of common shares outstanding (thousand shares)	44,521	44,521
Effect of employee stock compensation (thousand shares)	25	26
Weighted average number of common shares outstanding (After adjusting for the effects of dilutive potential common shares) (thousand shares)	<u>44,546</u>	<u>44,547</u>
	<u>\$ 1.90</u>	<u>2.16</u>

(XVIII) Revenue from contracts with customers

1. Revenue breakdown

	<u>January to March 2025</u>		
	<u>Hemodialysis Division</u>	<u>Other Divisions</u>	<u>Total</u>
Main markets in the region:			
Taiwan	\$ 712,609	329,629	1,042,238
China	-	1,738	1,738
Indonesia	6,517	-	6,517
	<u>\$ 719,126</u>	<u>331,367</u>	<u>1,050,493</u>
Main products/services:			
Dialyzer and blood tubing	\$ 332,725	-	332,725

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

January to March 2025			
	Hemodialysis		
	Division	Other Divisions	Total
Erythropoietin and liquid medications	314,982	-	314,982
Hemodialysis machine, maintenance and repair	41,299	-	41,299
Respiration and anesthesia	-	77,593	77,593
Lease income	1,618	52,688	54,306
Service revenue	3,419	30,827	34,246
Others	25,083	170,259	195,342
	\$ 719,126	331,367	1,050,493
January to March 2024			
	Hemodialysis		
	Division	Other Divisions	Total
Main markets in the region:			
Taiwan	\$ 713,526	246,697	960,223
China	-	906	906
Indonesia	3,714	-	3,714
	\$ 717,240	247,603	964,843
Main products/services:			
Dialyzer and blood tubing	\$ 349,508	-	349,508
Erythropoietin and liquid medications	297,419	-	297,419
Hemodialysis machine, maintenance and repair	33,722	-	33,722
Respiration and anesthesia	-	60,036	60,036
Lease income	1,746	48,058	49,804
Service revenue	3,789	31,659	35,448
Others	31,056	107,850	138,906
	\$ 717,240	247,603	964,843

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

2. Contract balance

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Notes receivable	\$ 200,742	186,565	232,928
Long-term notes receivable	8,494	10,114	6,360
Accounts receivable	1,031,691	978,053	970,991
Receivables from related parties	28,111	59,804	76,637
Finance lease receivables	37,911	36,498	39,804
Long-term finance lease receivables	102,871	111,056	95,982
Overdue receivables	4,217	4,217	4,217
Deduction: Loss allowance	<u>(30,061)</u>	<u>(29,261)</u>	<u>(27,821)</u>
Total	<u>\$ 1,383,976</u>	<u>1,357,046</u>	<u>1,399,098</u>

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Contractual liabilities for maintenance and repair services	<u>\$ 46,857</u>	<u>46,526</u>	<u>32,334</u>

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

Revenue recognized from January 1 to March 31, 2025, and 2024 for the initial balance of contract liabilities as of January 1, 2025, and 2024, was NT\$3,783 thousand and NT\$2,867 thousand, respectively.

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

3. Allocation to transaction price of outstanding performance obligations

On March 31, 2025, December 31, 2024, and March 31, 2024, the total transaction price for the extended warranty service allocated to outstanding performance obligations, which has not yet been fulfilled, was NT\$46,857 thousand, NT\$46,526 thousand, and NT\$32,334 thousand, respectively. The Consolidated Companies shall recognize this revenue gradually as the service is provided, which is expected to be completed within two to six years.

(XIX) 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

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

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.

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

	January to March 2025	January to March 2024
Remuneration for employees	\$ 1,050	1,174
Remuneration for directors and supervisors	3,149	3,522
	<u>\$ 4,199</u>	<u>4,696</u>

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

The employee remuneration provisions for the fiscal years 2024 and 2023 of the Company amounted to NT\$4,534 thousand and NT\$4,320 thousand, respectively. The remuneration provision for directors and supervisors amounted to NT\$13,602 thousand and NT\$12,959 thousand, respectively. These amounts are consistent with the actual payments made. For more information, please refer to the MOPS.

(XX) Non-operating income and expenses

1. Interest income

Interest income of the Consolidated Companies:

	January to March 2025	January to March 2024
Interest on bank deposits	\$ 779	529
Interest income on finance lease receivables	1,327	1,523
Other interest income	49	31
	<u>\$ 2,155</u>	<u>2,083</u>

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

2. Other income

Other income of the Consolidated Companies:

	January to March 2025	January to March 2024
Other income	<u>\$ 752</u>	<u>5,552</u>

3. Other gains and losses

Other gains and losses of the Consolidated Companies:

	January to March 2025	January to March 2024
Gains (losses) on foreign currency exchange	\$ (8,686)	1,492
Gains on disposal of property, plant, and equipment	1,833	552
Net gain on financial assets at fair value through profit or loss	4,046	1,616
Others	<u>2,472</u>	<u>(1)</u>
	<u>\$ (335)</u>	<u>3,659</u>

4. Finance costs

Finance costs of the Consolidated Companies:

	January to March 2025	January to March 2024
Interest expenses	<u>\$ 4,339</u>	<u>2,507</u>

(XXI) Financial instruments

Apart from the exceptions mentioned below, there have been no significant changes in the fair value of the financial instruments of the Consolidated Companies, nor in its exposure to credit risk, liquidity risk, and market risk. For further details, please consult Note 6 (XXIII) of the 2024 Consolidated Financial Statements.

1. Liquidity risk

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

Notes to the Consolidated Financial Statements of Hi-Clearance Inc. and Subsidiaries (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>
March 31, 2025					
Non-derivative financial liabilities					
Short-term loans	\$ 454,587	455,572	455,572	-	-
Notes payable	8,382	8,382	8,382	-	-
Accounts payable	589,382	589,382	589,382	-	-
Payables to related parties	1,530	1,530	1,530	-	-
Other payables	110,320	110,320	110,320	-	-
Other payables to related parties	6,138	6,138	6,138	-	-
Lease liabilities	<u>594,095</u>	<u>640,100</u>	<u>86,569</u>	<u>257,138</u>	<u>296,393</u>
	<u>\$ 1,764,434</u>	<u>1,811,424</u>	<u>1,257,893</u>	<u>257,138</u>	<u>296,393</u>
December 31, 2024					
Non-derivative financial liabilities					
Short-term loans	\$ 367,987	369,730	369,730	-	-
Notes payable	6,260	6,260	6,260	-	-
Accounts payable	655,695	655,695	655,695	-	-
Payables to related parties	1,020	1,020	1,020	-	-
Other payables	174,610	174,610	174,610	-	-
Other payables to related parties	13,726	13,726	13,726	-	-
Lease liabilities	<u>597,399</u>	<u>643,136</u>	<u>86,878</u>	<u>287,328</u>	<u>268,930</u>
	<u>\$ 1,816,697</u>	<u>1,864,177</u>	<u>1,307,919</u>	<u>287,328</u>	<u>268,930</u>
March 31, 2024					
Non-derivative financial liabilities					
Short-term loans	\$ 197,987	198,356	198,356	-	-
Notes payable	7,802	7,802	7,802	-	-
Accounts payable	700,950	700,950	700,950	-	-
Payables to related parties	2,741	2,741	2,741	-	-
Other payables	109,315	109,315	109,315	-	-
Other payables to related parties	8,952	8,952	8,952	-	-
Lease liabilities	<u>569,676</u>	<u>606,361</u>	<u>83,015</u>	<u>268,012</u>	<u>255,334</u>
	<u>\$ 1,597,423</u>	<u>1,634,477</u>	<u>1,111,131</u>	<u>268,012</u>	<u>255,334</u>

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

2. Foreign exchange risk

(1) Exposure to foreign exchange risk

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

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

	2025.3.31			2024.12.31			2024.3.31			
	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$	Foreign Currency	Exchange Rate	NT\$	
<u>Financial assets</u>										
<u>Monetary items</u>										
JPY	\$	20,523	0.2227	4,570	171,959	0.2096	36,043	33,444	0.2115	7,073
USD		519	33.205	17,233	234	32.785	7,672	70	32.005	2,240
<u>Financial liabilities</u>										
<u>Monetary items</u>										
JPY		608,487	0.2227	135,510	646,027	0.2096	135,407	647,610	0.2115	136,970
USD		1,703	33.205	56,548	1,870	32.785	61,308	1,284	32.005	41,094

(2) Sensitivity analysis

The Consolidated Companies' exposure to foreign exchange risk on monetary items mainly arises from cash, cash equivalents, and accounts payable denominated in foreign currencies, which generate foreign exchange gains or losses upon translation. As of March 31, 2025, and 2024, if NT\$ depreciates or appreciates by 0.25% against US\$ and JPY, with all other factors remaining constant, the net income before tax for January 1 to March 31, 2025, and 2024, would decrease or increase by NT\$426 thousand and NT\$422 thousand, respectively.

(3) Exchange gains and losses on monetary items

The Consolidated Companies disclose information on foreign exchange gains and losses on monetary items on a consolidated basis. From January 1 to March 31, 2025, and 2024 (including realized and unrealized items), the Consolidated Companies recorded foreign exchange gains and losses of NT\$(8,686) thousand and NT\$1,492 thousand, respectively.

3. Interest rate analysis

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

		2025.3.31	2024.12.31	2024.3.31
Variable rate instruments (book value)				
Financial assets	\$	519,310	522,575	428,687
Financial liabilities		454,587	367,987	197,987

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

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

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

If the interest rate increased or decreased by 0.25%, the Consolidated Companies' net income before tax from January 1 to March 31, 2025, and 2024, would have decreased or increased by NT\$40 thousand and NT\$144 thousand, respectively, with all other variables remaining constant, which was mainly due to the Consolidated Companies' changing bank deposit rates and loans.

4. Information on fair value

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

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

	2025.3.31				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:					
Beneficiary certificate - fund	\$ 21,811	21,811	-	-	21,811
Non-hedging derivative instruments - Forward foreign exchange contracts	<u>1,614</u>	-	1,614	-	1,614
Subtotal	<u>23,425</u>				
Financial assets at fair value through other comprehensive income	<u>12,010</u>	-	-	12,010	12,010
Total	<u>\$ 35,435</u>				

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

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

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

Apart from the financial instruments mentioned above that have active markets, the fair value of other financial instruments is determined using valuation techniques or by referring to quotes from counterparties. The fair value obtained through valuation techniques can be referenced 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
March 31, 2025 (opening balance)	<u><u>\$ 12,010</u></u>
January 1, 2024	\$ 268
Purchases	45,000
March 31, 2024	<u><u>\$ 45,268</u></u>

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

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

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

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

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

<u>Item</u>	<u>Evaluation</u>	<u>Significant Unobservable Input Values</u>	<u>Relationship between Significant Unobservable Input Values and Fair Value</u>
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 March 31, 2025: 3.05) (December 31, 2024: 3.05) (March 31, 2024: 10.05) • Lack of market liquidity discount (as of March 31, 2025: 15.6%) (December 31, 2024: 15.6%) (March 31, 2024: 30.0%) 	<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 Consolidated Companies is reasonable. However, employing alternative valuation models or parameters may yield varying valuation outcomes. With regards to financial instruments classified as Level 3, the changes in valuation parameters have the following impact on the current period's profit or other comprehensive income:

	<u>Input Value</u>	<u>Upward or downward</u>	<u>Fair value changes are reflected in other comprehensive income</u>	
			<u>Favorable Changes</u>	<u>Unfavorable Changes</u>
March 31, 2025				
Financial assets at fair value through other comprehensive income	3.05	1%	43	(43)

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

	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)
March 31, 2024				
Financial assets at fair value through other comprehensive income	10.55	1%	484	(484)

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

(XXII) Financial risk management

There have been no significant changes to the financial risk management objectives and policies of the Consolidated Companies, as stated in Note 6 (XXIV) of 2024 Consolidated Financial Statements.

(XXIII) Capital management

The capital management objectives, policies, and procedures of the Consolidated Companies remain consistent with those disclosed in the 2024 Consolidated Financial Statements. Furthermore, there have been no significant changes in the quantified data for the capital management items, as previously disclosed in the 2024 Consolidated Financial Statements. Please refer to Note 6 (XXV) of the 2024 Consolidated Financial Statements for the relevant information.

(XXIV) Non-cash transactions in financing activities

The Consolidated Companies' non-cash transaction financing activities from January 1 to March 31, 2025 and 2024:

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

(XXV) Changes in liabilities from financing activities

Adjustment of liabilities from financing activities:

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

	Non-cash Transactions					2025.3.31
	2025.1.1	Cash Flow	New Lease	Lease Modifications	Exchange Rate Changes	
Short-term loans	\$ 367,987	86,600	-	-	-	454,587
Lease liabilities	597,399	(20,818)	52,210	(34,696)	-	594,095
Guarantee deposits received	51	-	-	-	-	51
Total liabilities from financing activities	<u>\$ 965,437</u>	<u>65,782</u>	<u>52,210</u>	<u>(34,696)</u>	<u>-</u>	<u>1,048,733</u>

	Non-cash Transactions					2024.3.31
	2024.1.1	Cash Flow	New Lease	Lease Modifications	Exchange Rate Changes	
Short-term loans	\$ 91,565	106,422	-	-	-	197,987
Long-term loans	12,357	(12,475)	-	-	118	-
Lease liabilities	540,819	(18,153)	47,010	-	-	569,676
Guarantee deposits received	211	-	-	-	-	211
Total liabilities from financing activities	<u>\$ 644,952</u>	<u>75,794</u>	<u>47,010</u>	<u>-</u>	<u>118</u>	<u>767,874</u>

VII. Related Party Transactions

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

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

- (II) Names and relations of related parties

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

Related Party	Relationship with the Consolidated Companies
Collins Co., Ltd.	Ultimate controller of the Consolidated Companies
QSC Corp.	Affiliate of the Consolidated Companies
WS Far IR Medical Technology Co., Ltd.	Affiliate of the Consolidated Companies
Collins Energy Solutions Co., Ltd.	Affiliate of the Consolidated Companies

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

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

(III) Significant transactions with related parties

1. Operating revenue

Sales to related parties and their outstanding balances:

	<u>Sales</u>		<u>Receivables from Related Parties</u>		
	<u>January to March 2025</u>	<u>January to March 2024</u>	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Parent company	\$ 2	-	-	15	-
Substantive related party: Yi Sheng Medical Care Co., Ltd.	12,245	52,358	13,108	49,678	55,279
Substantive related party: Xing Tian Medical Care Co., Ltd.	13,910	17,084	15,003	10,111	21,358
	<u>\$ 26,157</u>	<u>69,442</u>	<u>28,111</u>	<u>59,804</u>	<u>76,637</u>

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. Additionally, commissions are paid based on sales amounts. The commission expenses and payment terms for substantive related parties are agreed upon by both parties. Commission amounts from January 1 to March 31, 2025 and 2024 were NT\$3,492 thousand and NT\$5,072 thousand, respectively. As of March 31, 2025, December 31, 2024, and March 31, 2024, there are still outstanding amounts of NT\$3,738 thousand, NT\$3,725 thousand, and NT\$6,552 thousand respectively, which are recorded under "Other Payables - Related Parties".

2. Purchases

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

	<u>Purchases</u>		<u>Payables to Related Parties</u>		
	<u>January to March 2025</u>	<u>January to March 2024</u>	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Associate	<u>\$ 1,133</u>	<u>1,707</u>	<u>1,530</u>	<u>1,020</u>	<u>2,741</u>

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

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

3. Leases

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

	<u>Rental Income</u>		<u>Receivables from Related Parties</u>		
	<u>January to March 2025</u>	<u>January to March 2024</u>	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Associate	\$ <u>14</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>

4. Prepayments for equipment

Prepayments to Related Parties of the Consolidated Companies:

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Affiliated Enterprise - Kao Ming Company	\$ <u>4,57</u>	<u>3,429</u>	<u>-</u>

On July 17, 2024, the Consolidated Company entered into a construction contract for a solar photovoltaic power generation system with its affiliated enterprise, Collins Co., Ltd. The total value of the contract, excluding taxes, is NT\$5,714 thousand. As of March 31, 2025 and December 31, 2024, the Consolidated Company has made payments of NT\$4,571 thousand and NT\$3,429 thousand, which is recorded under "Other Non-Current Assets - Other." In addition, a guaranteed note of NT\$571 thousand was obtained from Kao Ming Company.

5. Labor expenses

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

	<u>Amount of Transaction</u>		<u>Other Payables to Related Parties</u>		
	<u>January to March 2025</u>	<u>January to March 2024</u>	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Parent Company: Collins Co., Ltd.	\$ <u>2,400</u>	<u>2,400</u>	<u>2,400</u>	<u>10,000</u>	<u>2,400</u>

(IV) Major senior management personnel transactions

Major senior management personnel remuneration:

	<u>January to March 2025</u>	<u>January to March 2024</u>
Short-term employee benefits	\$ <u>13,450</u>	<u>13,340</u>

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

VIII. Pledged Assets

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

<u>Asset Name</u>	<u>Collateral Pledged</u>	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Restricted bank deposits (listed under Other Financial Assets - Current)	Performance guarantee/letter of credit limit	\$ 109,936	108,102	60,446
Land	Letter of credit limit/bank loan limit	107,873	107,873	107,873
Building and Construction	Letter of credit limit/bank loan limit	50,154	50,550	51,738
		<u>\$ 267,963</u>	<u>266,525</u>	<u>220,057</u>

(II) As of March 31, 2025, December 31, 2024, and March 31, 2024, the Consolidated Companies have opened forward letters of credit amounting to NT\$474,280 thousand, NT\$549,214 thousand, and NT\$546,056 thousand, respectively, and have used bills for collection deposited in banks in the amounts of NT\$193,612 thousand, NT\$179,682 thousand, and NT\$219,612 thousand, respectively, as collateral for 10% of the forward letters of credit.

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

	<u>2025.3.31</u>	<u>2024.12.31</u>	<u>2024.3.31</u>
Unused balance of issued letters of credit	\$ <u>267,132</u>	<u>261,121</u>	<u>313,105</u>
Unrecognized contractual commitments for acquisition of property, plant and equipment	\$ <u>23,614</u>	<u>32,750</u>	<u>3,641</u>

X. Significant Disaster Loss: None.

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

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

XII. Others

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

Functions Characteristics	January to March 2025			January to March 2024		
	Operation Costs	Operation Expenses	Total	Operation Costs	Operation Expenses	Total
Employee benefits						
Salary expenses	17,093	92,582	109,675	16,016	87,349	103,365
Labor and health insurance	1,620	8,229	9,849	1,489	7,470	8,959
Pension expenses	771	4,835	5,606	733	4,472	5,205
Other employee benefits	574	2,695	3,269	397	1,855	2,252
Depreciation expenses	36,001	6,182	42,183	32,851	5,448	38,299
Amortization expenses	-	8,083	8,083	-	4,140	4,140

(II) Seasonality of operations:

The operations of the Consolidated Companies are not affected by seasonal or cyclical factors.

XIII. Supplementary Disclosures

(I) Information on Significant Transactions

The Consolidated Companies are required to disclose the following significant transaction information from January 1 to March 31, 2025, in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers:

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

Number	Company of Endorser/ Guarantor	Endorsed and Guaranteed Parties		Limit on Endorsements/ Guarantees Provided for a Single Entity	Maximum Endorsement/ Guarantee Balance	Ending Endorsement/ Guarantee Balance	Actual Amount Drawn	Amount of Endorsements/ Guarantees Secured by Property as Collateral	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	1,543,499	50,000	50,000	-	Promissory note 50,000	1.62%	1,543,499	Y	N	N
0	The Company	HC-Healthcare Co., Ltd.	2	1,543,499	120,000	120,000	104,587	Promissory note 120,000	3.89%	1,543,499	Y	N	N

Note 1: The total endorsement/guarantee amount is limited to 50% of the net worth indicated in the Consolidated Companies' current financial statements. The endorsement/guarantee amount to a single enterprise is limited to 50% of the net worth indicated in this 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:

- Companies engaged in business transactions.
- Companies in which the Company directly and indirectly holds more than 50% of the voting shares.

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

- (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.

3. Significant 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	10,420	- %	10,420	
Sin Hwa Investment Co., Ltd.	SinoPac Global Multi Income Fund TWD Acc	-	Financial assets at fair value through profit or loss - current	1,000	11,391	- %	11,391	
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. Purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
5. Receivables from related parties amounting to NT\$100 million or 20% of paid-up capital or more: None.
6. Business relationships and significant transactions between the parent company and subsidiaries:

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

Number	Company	Counterparty	Relationship	Trading Activities in 2025			Percentage of Consolidated Total Revenue or Total Assets
				Ledger Account	Amount	Transaction Term	
0	The Company	Renalysis Medical Care Co., Ltd.	1	Accounts receivable	1,041	Net 120 EOM	0.02%
0	The Company	Sin Hwa Co., Ltd.	1	Purchases	1,327	Net 30 EOM	0.13%
0	The Company	Sin Hwa Co., Ltd.	1	Accounts payable	1,182	Net 30 EOM	0.02%
0	The Company	HMI company	1	Sales	2,724	Net 270 EOM	0.26%
0	The Company	HMI company	1	Accounts receivable	7,742	Net 270 EOM	0.15%
0	The Company	HC-Healthcare Co., Ltd.	1	Accounts receivable	9,514	Net 120 EOM	0.19%
0	The Company	HC-Healthcare Co., Ltd.	1	Sales	6,631	Net 120 EOM	0.63%

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

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

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

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

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

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

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

(II) Information on Invested Companies:

Details regarding the Consolidated Companies' investments from January 1 to March 31, 2025 (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	49,649	1,575	100.00%	86,767	965	965	(Note 1)
The Company	Renalysis Medical Care Co., Ltd.	Sanchong District, New Taipei City	Medical management consulting services	165,037	165,037	10,000	100.00%	286,468	16,104	16,104	(Note 1)
The Company	XinFu Healthcare Corp.	Sanchong District, New Taipei City	Medical management consulting services	-	50,000	-	-%	-	71	71	
The Company	Sin Hwa Co., Ltd.	Sanchong District, New Taipei City	Medical equipment trade	100,000	100,000	10,000	100.00%	120,882	2,581	2,581	(Note 1)
The Company	Sin Hwa Investment Co., Ltd.	Sanchong District, New Taipei City	Financial holding and investment	80,000	80,000	8,000	100.00%	86,291	1,318	1,318	(Note 1)
The Company	HC-Healthcare Co., Ltd.	Sanchong District, New Taipei City	Medical management consulting services and equipment trading	118,919	118,919	36,517	100.00%	140,512	1,836	1,836	(Note 1)
The Company	WS Far IR Medical Technology Co., Ltd.	Xindian District, New Taipei City	Medical equipment manufacturing and sales	63,600	63,600	600	30.00%	65,780	5,390	1,617	

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

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			
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%	61,270	7,989	1,598	
Succeed Agents Limited (B.V.I.)	Moral Well Co.,Ltd.	Apia Samoa	Financial holding and investment	58,973	58,973	2,000	100.00%	31,691	(329)	(329)	(Note 1)
Succeed Agents Limited (B.V.I.)	PT Hiclearance Medical Indonesia	Republic of Indonesia	Medical equipment trade	60,540	60,540	2,000	100.00%	52,131	1,294	1,294	(Note 1)

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

(III) Information on Investments in Mainland China:

1. Information on investments in mainland China:

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

Investee Company	Main Business Activities	Paid-in Capital	Method of Investments (Note 1)	Accumulated Amount of Investments Remitted from Taiwan at Beginning of Period	Amount of Investments Remitted or Repatriated for the Period		Accumulated Amount of Investments Remitted from Taiwan at End of Period	Profit (Loss) of Investee for the Period	The Company's Direct or Indirect Ownership	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	66,410 (USD 2,000) (Note 3)	(III)	20,785 (USD 700)	-	-	20,785 (USD 700)	(329) (USD 10)	100.00%	(329) (USD 10) (Note 2)	31,681 (USD 954) (Note 2)	-
Shanghai Shen Shang Technology Co., Ltd. (Note 4)	Medical software development and technical services	18,447 (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: The above entities were eliminated in the preparation of the Consolidated Financial Statements.

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

Note 4: The investment amount was established by Taicha Medical Corp.'s own funds, not transferred from Taiwan.

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)	69,731 (US\$2,100 thousand)	1,852,198

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

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

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

3. Information on significant transactions:

For details regarding significant transactions between the Consolidated Companies and their investees in Mainland China from January 1 to March 31, 2025 (eliminated at the time of preparation of the Consolidated Financial Statements), please refer to the section "Information on Significant Transactions".

XIV. Segment Information

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

	January to March 2025			
	Hemodialysis Division	Other Divisions	Adjustment and Elimination	Total
Revenue:				
Revenue from external customers	\$ 719,126	331,367	-	1,050,493
Intersegment revenue	-	-	-	-
Total revenue	\$ 719,126	331,367	-	1,050,493
Reportable segment profit or loss	\$ 76,492	27,283	-	103,775
Reportable segment assets (Note)	\$ -	-	-	-
	January to March 2024			
	Hemodialysis Division	Other Divisions	Adjustment and Elimination	Total
Revenue:				
Revenue from external customers	\$ 717,240	247,603	-	964,843
Intersegment revenue	-	-	-	-
Total revenue	\$ 717,240	247,603	-	964,843
Reportable segment profit or loss	\$ 82,772	22,794	-	105,566
Reportable segment assets (Note)	\$ -	-	-	-

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