Stock code: 4527

崑霖冷凍機械股份有限公司
KUEN LING MACHINERY REFRIGERATING CO., LTD.

# 2024 Annual Report


***Notice to readers***

***This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.***

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*Company website: http://www.kuenling.com.tw*

## I. Spokesperson Information:

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## II. Headquarter, Branches and Plant

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## III. Stock Transfer Agent

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## IV. Certified Public Accountant for the Most Recent Year:

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## V. Name of Trading Site for Listed Securities Overseas and Inquiry Information:

**Not Applicable**

## VI. Company Website

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# One. Letter to Shareholders

Dear valued shareholders,

Reviewing 2024, high inflation, climate disruptions, and geopolitical uncertainties, leading to significant price fluctuations in food and fuel costs. Key factors affecting both Taiwan’s export performance and domestic demand included asynchronous monetary policies among central banks, uncertainties in China's real estate market, and geopolitical conflicts such as the Russo-Ukraine war and the Middle East tensions.

Benefiting from strong demand for emerging technology applications and the localization of equipment supply, private investments have a noticeable rebound in 2024, driving overall demand. Looking ahead to 2025, the global economy faces multiple challenges: Europe's continued economic stagnation, structural challenges in China's economy, and the implementation of the Trump 2.0 policies in the U.S., including tariffs, trade, and economic policies, which increase further uncertainty to global trade.

The Company will closely monitor market demand, swiftly adapt to trade trends, and continue integrating overseas production resources; actively seize opportunities in energy-saving, thermal management, and energy solutions, contributing to ESG carbon neutrality efforts with sustainable products. These initiatives will enhance the Group’s competitiveness and ensure continued profitability. Despite global economic headwinds due to inflation, but thanks to the collective efforts of all employees, the operating revenue and profit have reached historical high once again.

The summary report of the Group’s business results for 2024 and business plan for 2025 is as follows:

# I. 2024 Operating Results

## (I) Business Plan Implementation Results

In the first half of 2024, the Group's overall operations remained solid, benefiting from a rebound in demand from major end markets and a shift in global supply chains that resulted in order transfers. Revenue increased by 17% year-over-year. Key manufacturing sites secured several strategic project orders, driving a 22% year-over-year growth in consolidated revenue. Meanwhile, the Group continued to optimize its product portfolio, enhance processes, and improve operational efficiency, leading to a significant increase in gross margin. Operating profit rose by 84% year-over-year, and cumulative pre-tax profit grew by 70%, demonstrating effective economies of scale and cost control.

In the third quarter, despite stable shipments at certain sites and consistently high utilization rates, overall order momentum slightly slowed due to weakening global economic growth, inflation, interest rate pressures affecting end-market demand, and more conservative investment in some markets. As a result, consolidated revenue for the quarter grew by only 6% year-over-year.

In the fourth quarter, through centralized capacity allocation, enhanced supply chain coordination, and flexible adjustment of delivery schedules to meet market demand, overall shipments remained smooth, contributing to a 5% year-over-year growth in full-year consolidated revenue. Thanks to business expansion, synergy from operational integration, and stabilized raw material costs, the Group's gross margin continued to improve throughout the year. Although operating expenses increased slightly due to capacity expansion, stable non-operating income and expenses led to a significant year-over-year increase in full-year pre-tax profit, reflecting strong operational performance.

The operational results for 2024 are as follows: Net revenue amounted to NT$3,649.37 million, an increase of NT$172.79 million or 5% compared to 2023. Operating profit and pre-tax net income increased by NT$46.94 million and NT$48.61 million, respectively.

## (II) Actual Implementation Status

Unit: NT$ thousand

| Profit and loss items | Actual amount | Budget amount | Amount of increase (decrease); % | Achievement rate % |
|---|---|---|---|---|
| Operating revenue | 3,649,379 | 3,167,313 | 482,066 | 115% |
| Operating costs | (2,741,530) | (2,382,683) | (358,847) | 115% |
| Gross profit | 907,849 | 784,630 | 123,219 | 116% |
| Operating expenses | (545,849) | (550,634) | 4,785 | 99% |
| Operating profit | 362,000 | 233,996 | 128,004 | 155% |
| Non-operating income and expenses | 45,839 | 20,201 | 25,638 | 227% |
| Profit before tax | 407,839 | 254,197 | 153,642 | 160% |
| EPS | NT$4.2 | NT$2.54 | | |

The main reasons for the differences in these subjects are as follows:

Net operating income: Revenue in the Group due to increased demand for energy-saving replacement and plant equipment projects and refrigeration engineering projects.

Gross profit: Primarily driven by the positive impact of revenue growth and improved production efficiency, leading to an increase in gross margin.

Operating expenses: Slightly decrease due to cost-saving measures and expense control efforts.

Operating profit: Mainly attributed to revenue growth and increased gross profit.

Non-operating income (expense): Primarily driven by higher rental income and other gains.

Profit before tax: Achieved revenue and gross profit targets with favorable differences, along with positive differences in non-operating income..

## (III) Analysis of financial revenue and expenditure and profitability

### 1. Analysis of financial revenue and expenditure

Unit: NT$ thousand

| Profit and loss items | 2024 | | 2023 | | Amount of increase (decrease); % | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| Operating revenue | 3,649,379 | 100 | 3,476,588 | 100 | 172,791 | 5 |
| Operating costs | (2,741,530) | (75) | (2,636,014) | (76) | (105,516) | 4 |
| Gross profit | 907,849 | 25 | 840,574 | 24 | 67,275 | 8 |
| Operating expenses | (545,849) | (15) | (525,517) | (15) | (20,332) | 4 |

| Profit and loss items | 2024 | | 2023 | | Amount of increase (decrease); % | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | | Amount | % |
| Operating profit | 362,000 | 10 | 315,057 | 9 | 46,943 | 15 |
| Non-operating income and expenses | 45,839 | 1 | 44,168 | 1 | 1,671 | 4 |
| Profit before tax | 407,839 | 11 | 359,225 | 10 | 48,614 | 14 |
| Net income attributable to the parent | 319,549 | 9 | 258,404 | 7 | 61,145 | 24 |

### 2. Profitability analysis

| Item | 2024 |
|---|---|
| Return on assets % | 9% |
| Return on shareholders' equity% | 19% |
| Ratio of operating profit to paid-in capital % | 48% |
| Ratio of profit before tax to paid-in capital % | 54% |
| Profit margin % | 9% |
| Basic earnings per share (NT$) | 4.20 |

## (IV) Research and development status:

In 2004, the Company obtained the exclusive use right of Danfoss Turbocor magnetic levitation centrifugal compressor, launched the magnetic levitation ice-water machine product to provide domestic users with multiple advantages such as energy efficiency, environmental protection, safety, reliability, comfort and tranquility, and opened the era of magnetic levitation centrifugal machine for domestic ice water machines.

Considering that the magnetic levitation centrifuge has the characteristics of high energy efficiency and high initial cost, it is the star product of ice water machines. In 2022, in the form of MOEAEA Industrial Energy Technology Program, Fusheng and Rhymebus jointly developed the special project of "Key Technology and Verification Plan for Double-segment Magnetic Levitation Centrifuge below 180RT." The Company is dedicated to developing single/double pressure magnetic levitation water chiller system products and technologies, and conducting performance test verification and introducing them into domestic field for demonstration purposes. The 1000RT domestically produced magnetic levitation centrifugal ice-water unit completed in 2023, with COP≧7.1 and energy efficiency level 1. The most important thing is that it passed the test of the Industrial Technology Research Institute under the condition of "zero tolerance"; making it the first domestically-made 1000RT magnetic levitation centrifuge that passed such a rigorous test.

In response to the global net-zero carbon emission trend, there is a growing demand for high energy efficiency, restricted refrigerant usage, and lower operational carbon emissions. Recognizing this, the Company is committed to developing high-energy-efficiency systems, low-carbon refrigerants (low ODP and GWP), and thermal energy storage solutions. These innovations not only help customers and consumers save energy and reduce carbon emissions but also assist governments in stabilizing power grids, creating new business opportunities.

In 2024, the Company successfully developed a magnetic bearing chiller system utilizing R1234ze (GWP=1) low-global-warming-potential refrigerant and actively promoted R513A (GWP=573) eco-friendly refrigerant magnetic bearing chillers. Compared to the widely used R134a refrigerant (GWP=1,300) in the domestic chiller industry, the Company's environmentally friendly systems can significantly reduce greenhouse gas emissions, contributing to the achievement of sustainability goals.

At present, countries around the world have promoted green buildings, and through the support of government policies, ice water chillers with frequency conversion energy saving technology and low GWP have become the main driving force for the growth of the air conditioning industry. Information technology (IT) is making continuous progress, and ice water chillers are using the Internet of Things (IoT) and cloud technology to increase their energy efficiency.

Development direction and focus of future research and development:

(1) Development of energy saving products.

(2) Application of low ODP and GWP.

(3) Application of refrigeration equipment and refrigeration system.

Looking ahead, the increasing frequency of extreme weather events, coupled with stricter carbon pricing mechanisms and environmental regulations, is prompting companies to accelerate investments in green energy and low-carbon equipment. This, in turn, is driving demand for integrated energy management systems and high-efficiency machinery.

At the same time, the global market is undergoing a significant transformation. With the implementation of Trump 2.0 policies, the resurgence of the "America First" agenda and the reshoring of manufacturing is gaining momentum. Through the use of high tariffs as leverage, global trade rules and supply chain structures are being reshaped. Although this move has heightened uncertainty in corporate planning and procurement decisions—triggering short-term volatility and risk aversion in global capital markets—in the medium to long term, it is expected to accelerate localized manufacturing and capital expenditure in equipment across nations. This structural shift will benefit the machinery processing industry, automation equipment, and the flexible upgrading of production lines.

In response to changes in the global political and economic landscape and the rapid restructuring of industry, our Group will continue to optimize the configuration of global operations, adjust production capacity flexibly, enhance process efficiency, and strengthen delivery schedule management to steadily navigate market challenges. We will also actively seize the strategic opportunities brought by industrial transformation.

To achieve our annual financial targets on schedule, the company will accelerate group integration and operational synergy, focus on resource consolidation and cost control, and comprehensively enhance overall operational efficiency.

As for our short- to mid-term development strategy, we will continue to pursue cost-saving and revenue-generating initiatives, launch a full range of products including refrigeration, air conditioning, and chiller systems, and concentrate on competitive energy-saving and environmentally friendly units, ice storage energy management, and integrated data center cooling solutions. By building a foundation on sustainable products, we aim to support the company’s long-term development, fulfill our commitment to environmental responsibility, and create maximum long-term value for our shareholders.

## II. 2025 Business Plan Overview

### (I) Operating Policy

In the next year, in addition to continuing to integrate resources to improve competitive advantages, the Group has formulated the following operating policies:

1. Integrate marketing services based on strategic alliance relationship with major manufacturers and other channel management relationships.

2. Improve business performance, implement service and product development, develop cross-marketing, and increase profitability.
3. Effectively plan inventory management to reduce inventory pressure.
4. Strengthen intelligence control and conduct richer and more diversified marketing activities.
5. Provide high-quality customer service and maintenance ability, continuously improve technology, and timely solve customer problems.
6. Separate products and technical services, and operate OEM and own brands in parallel to establish a maintenance system and remote monitoring center.

## (II) Sales Volume Forecast and the Basis

| Product type | Estimated sales volume in 2025 | Unit |
|---|---|---|
| Chiller Unit | 2,511 | Sets |

Based on the estimates of overall production capacity and market demand contracts and orders this year, the Group estimates that the shipment volume in 2025 will increase compared with that in 2024, mainly due to the increase in the sales proportion of large energy-saving and efficient units.

Looking forward to the future, in order to implement the business philosophy of “pursuing excellence, sustainable operation, sincere care and professional service” and achieve the goal of being the number one Chinese brand, on the basis of successively obtaining the pressure vessel manufacturing license and ISO9001 certification, on the daily work the Group focuses on strengthening expense and cost control, establishing a personnel reserve mechanism, improving production, and continuing innovation and development of environmental protection and energy-saving products, in order to fulfill the social responsibilities of a global citizen to share the beautiful world of tomorrow..

## (III) Key Production/Sales Policies

1. Deepen into Southeast Asian overseas markets through the planning and export of complete refrigeration and cold storage plant equipment.
2. Strengthen special industrial channels (petrochemical plants, industrial refrigeration and environmental control agricultural and fishery production systems) and technician channels.
3. Implement a diversified production and sales strategy that includes OEM, ODM, and own-brand products, with enhanced follow-up on individual projects.
4. Integrate resources from the Suzhou plant in China and the Vietnam plant to leverage economies of scale through specialized production and collaborative development across all three regions, while nurturing core competencies through company-wide training.

5. Ensuring quality, delivery time, cost and service advantages.
6. Actively promote new refrigerant products and strengthen energy management service products.

### (IV) Corporate Governance

The Company has always been committed to establishing a sound corporate governance mechanism. In addition to complying with the provisions of relevant laws and regulations, the Company is committed to establishing an effective corporate governance framework, and supervising the operating performance of the management of the Company in terms of safeguarding the rights and interests of shareholders, treating all shareholders equally, strengthening the structure and operation of the Board of Directors, improving information transparency, safeguarding the rights and interests of stakeholders, and implementing corporate social responsibility.

Corporate Social Responsibility: Complies with labor and employment-related laws and regulations, with no incidents of discrimination complaints or forced labor violations in 2024. Apply talent development programs for outstanding students from various schools, continued sponsorship of reading programs, concerts, and other arts and cultural public welfare activities., donated residential fire alarms to local government fire departments and making donations to the Love and Spine Neuropathology Care Association. Through the experience of hundreds of doctors in various specialties treating patients with spinal cord-related neuropathy disorders, the Association provides medical professional and long-term care support to patients who can receive social and humane care, contributing to the care and well-being of citizens.

Stakeholders: optimize the supply chain and improve the efficiency of resource use to serve as the basis of the Company’s competitive edge. In addition to regular review and rolling adjustment of the supply chain portfolio, different management indicators will be used to connect the work objectives of various departments, so as to achieve the optimal use of resources.

## III. Future Development Strategies

In face of market competition and a volatile business environment, the global economic environment is still full of uncertainties, which still pose challenges to the prospects. However, although major economies such as the United States and China are facing some unfavorable factors for consumption and investment, the recovery of global merchandise trade is still optimistic and will push the recovery of the global economy. The Group remains positive and bravely accepts challenges. Future business development will strive towards the following goals:

1. Achieve excellent corporate governance and pursue sustainable business.
2. Maintain flexibility and improve the added value of products.
3. Actively expand the operation territory and become an all-round manufacturer.
4. Strengthen the scale of existing customers and ensure a sound business foundation.
5. Improve business profitability and create maximum shareholder value.

## IV. Impact of External Competition, Legal and Overall Business Environment

### (I) Impact of External Competition Environment

Due to geopolitical tensions, inflation, and interest rate hikes, the global economic growth rate is projected to reach 3.3%. Although inflationary pressures are gradually easing, uncertainties remain due to factors such as the potential return of Trump-era policies, the monetary policy directions of central banks, China's economic stimulus measures, domestic investment momentum, and the impacts of extreme climate conditions. These factors continue to weigh on end-product demand, making the global economic outlook unclear.

Nevertheless, with a recovery in demand from downstream industries such as machinery and metal products, as well as steady growth in emerging applications like AI, semiconductors, electric vehicles, and renewable energy, domestic manufacturing demand is expected to improve. While uncertainties persist, the ongoing expansion of emerging technologies and seasonal consumer spending may provide support for both exports and domestic demand.

The Group is a professional manufacturer of refrigeration and air conditioning equipment. Under the pressure of low price competition and rising operating costs, the Company will operate with a professional, honest, pragmatic and innovative attitude, continue to strengthen internal management, strive to improve the products’ energy efficiency and strictly control costs, so as to meet customers’ maximum needs and improve the competitiveness of the Company.

### (II) Impact of Regulatory Environment

As the regulatory environment changes, the Group actively responds to the government's environmental protection policies and uses them as opportunities for innovation and market development. As the government actively promotes renewable and green energy, it also invests heavily in industrial and service industries to replace more efficient air-conditioning equipment to ensure economic development and overall industrial momentum. The Company has followed this trend and not only has high-efficiency ice and water machines, high value-added heat recovery machines and composite hot and cold water machines, but also provides customers with more advantages through system integration, including mutually supporting main systems, retaining scalability, and heat recovery applied to defrost systems. These measures meet the government's requirements for high-efficiency air conditioning equipment and also provide customers with more energy-saving and environmentally friendly solutions.

In terms of regulations, the Company actively cooperates with the implementation of relevant laws and regulations. For example, regarding the restrictions on CFC refrigerants, alternative refrigerant units have launched and promoted in the market. In accordance with the provisions of the Energy Administration Act, high-efficiency energy-saving units have been developed as well, and all products comply with energy label certification. The Company also actively follows the requirements of the Climate Change Response Act and develops/launches low-GWP refrigerant units such as the R-32 and R-513A series to meet the goal of net-zero emissions in 2050.

Except product development, the Company has also strengthened the construction of the R&D department and established a database for central air conditioning and refrigeration machinery engineering design. This not only improves product quality and efficiency, but also enables the Company able to respond to market demand more faster, in line with government support for technological innovation and industrial upgrading.

In general, the Company keeps up with the requirements of environmental protection laws with a positive attitude, using them as a motivation to promote innovation and market development and integrates environmental awareness in every aspect of product development and business operations to achieve the goal of environmental protection and sustainable development.

## (III) Impact of Overall Business Environment

Trade wars, climate change, geopolitical tensions, supply chain shifts, the policy directions of new governments in multiple countries in 2025, and adjustments in major nations’ monetary policies—all of these factors could have a significant impact on both the global and Taiwan economies. Therefore, while maintaining an optimistic yet cautious outlook, businesses and investors should closely monitor international economic developments and adjust their strategies in a timely manner to remain competitive amid global uncertainties. Given the many pressing issues and challenges both at home and abroad, careful and prudent responses are essential.

These uncertainties above are important uncertainties affecting the economic situation in 2025.

The Group will be committed to the research and development of products with high added value, expand the application scope of products to agriculture, forestry, fishery and animal husbandry, strictly control the budget, actively integrate the procurement of the three places on both sides of the Straits, and reduce the inventory to improve the financial structure, integrate the comprehensive effect of strategic alliances, continue to expand new customers, as well as maintain flexible order and contract awarding plans with customers and manufacturers, maintain market sensitivity, and reduce business risks in order to strengthen data collection to enable decision-making units to make the most correct judgment and ensure the rights and interests of shareholders.

Lastly, I would like to take this opportunity to thank our customers, shareholders and hard-working employees; I would like to express my sincerest thanks for your continuous and steadfast support.

I wish you

Good health and happy family life.

Chairman :Chung-Kuo Tseng　　Manager :Chung-Kuo Tseng　　Chief Accountant :Li-Ling Su

# Two. Corporate Governance Report

## I. Information on Directors, Supervisors, the General Manager, Deputy General Managers, Assistant Managers, Heads of Departments and Branches:

### (I) Information on Directors and Supervisors

March 31, 2025; Unit: thousand shares; %

| Job title (Note 1) | Nationality or place of registration | Name | Gender Age | Date of being elected (taking office) | Term | Date first elected | Shareholding when elected | | Current shareholding | | Shareholding of spouse and underage children | | Shares held by proxy | | Experience and education | Concurrent duties in the Company and other companies | Other managers, directors or supervisors being the spouse or relative within the second degree of kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | Share-holding ratio | Shares | Share-holding ratio | Shares | Share-holding ratio | Shares | Share-holding ratio | | | Position | Name | Rela-tion | |
| Chairman | Taiwan | Chung-Kuo Tseng | Male<br>61-70 | 2024.05.28 | 3 years | 1996.07.12 | 2,423 | 3% | 2,423 | 3% | 283 | 0.37% | 4,025 | 5% | Advanced Master of Management Program of National Cheng Kung University (non-completion)<br>Da-Yeh University Credit Class | Chairman and General Manager of the Company<br>Chairman, Cozy Air-Conditioning Co., Ltd<br>Chairman, KuenLing Machinery Refrigerating (Shanghai) Co., Ltd.<br>Chairman, KuenLing Machinery Refrigerating (Suzhou) Co., Ltd.<br>Chairman, Qie Lun Investment Co., Ltd. | Director | Yu-Fen Huang | spouses | The Chairman and the General Manager are the same person, and independent directors were added on July 20, 2021. At present, there are four independent directors. |
| Director | Taiwan | Rung-Pin Yeh | Male<br>71-80 | 2024.05.28 | 3 years | 1996.07.12 | 2,658 | 3% | 2,658 | 3% | 96 | 0.13% | - | 0% | Tian Chung High School<br>Vice President, Kuen Ling Machinery Refrigerating Co.,Ltd. | Vice Chairman, KuenLing Machinery Refrigerating (Suzhou) Co., Ltd.<br>Director, Cozy Air-Conditioning Co., Ltd. | None | None | None | |
| Director | Taiwan | Wen-Chi Ko | Male<br>81-90 | 2024.05.28 | 3 years | 1996.07.12 | 4,414 | 6% | 4,414 | 6% | - | 0% | - | 0% | Supplementary Open Junior College For Public Administration National Chengchi University<br>Chief of Examination Division in National Taxation Bureau of Kaohsiung, Ministry of Finance | Supervisor, Cozy Air-Conditioning Co., Ltd.<br>Chairman; Wenji Investment Co., Ltd., Representative | None | None | None | |
| Director | Taiwan | Ming-Cheng Wu (Note 2) | Male<br>71-80 | 2021.07.20 | 3 years | 2018.05.23 | 2,360 | 3% | 3,070 (Note 3) | 4% | - | 0% | - | 0% | Mechanical Drawing Department of National Jui-Fang Industrial High School | Chairman, Hung Hsu Air Supply and Air Conditioning Machinery Co., Ltd | None | None | None | |
| Director | Taiwan | Hua Hong Industrial Co., Ltd. | Female | 2024.05.28 | 3 years | 2018.05.23 | 1,467 | 2% | 1,467 | 2% | - | 0% | - | 0% | Chung Hwa University of Medical Technology | Chairman, Hua Hong Industrial Co., Ltd.<br>Supervisor , Qie Lun Investment Co., Ltd<br>Director, Yong Sheng Gas Station Industrial Co., Ltd.<br>Director, Cozy Air-Conditioning Co., Ltd..,<br>Director, Kuen Ling Machinery Refrigerating Co., Ltd<br>Director , Ying Long Co., Ltd.<br>Chairman, Wangliang Investment Co., Ltd. | Chairman | Chung-Kuo Tseng | spouses | |
| | | Representative: Yu-Fen, Huang | 51-60 | | | | 281 | 0% | 283 | 0% | 2,423.00 | 3% | - | 0% | | | | | | |
| Director | Taiwan | TECO Electric & Machinery Co., Ltd. | Male | 2024.05.28 | 3 years | 2018.05.23 | 11,132 | 15% | 10,665 | 14% | - | 0% | - | 0% | Education: Master of Telecommunications Engineering, University of Pittsburgh, EMBA of National Cheng Chi University<br>Experience: IBM, AVP of Software Department, Tivoli SW (Greater China), and AVP (China) and Vice General Manager of Public Business Group (Greater China) of Microsoft | Chairman, A-OK Technical Service Co., Ltd.; Chairman, Tesen Electronic Co., Ltd.; Chairman, Jiangxi Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman; Dongguan Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman, Nanchang Dongyuan Electric Co., Ltd.; General Manager, Antai Innovation Technology (Xiamen) Co., Ltd.; Director, Taiwan Pelican Express Co., Ltd.; Director, E&E Recycling, Inc.; Director of the Company; Director, UD Corporation; Director, Far Eastern Electronic Toll Collection Co., Ltd.; Director, FETC International Co., Ltd.; Director, Information Technology Total Services; Director, Australia TAC; Director, TECO 3C; Director, Teco Technology (Vietnam) Co., Ltd.; Chairman, E-Joy Australia;Director, TECO Elektrik Turkey A.Ş (TET); General Manager, Home Appliance Business Group of TECO Electric & Machinery Co., Ltd. | None | None | None | |
| | | Representative: Chi-Tseng Peng | 51-60 | | | | - | 0% | - | 0% | - | 0% | - | 0% | | | None | None | None | |

| Job title (Note 1) | Nationality or place of registration | Name | Gender Age | Date of being elected (taking office) | Term | Date first elected | Shareholding when elected | | Current shareholding | | Shareholding of spouse and underage children | | Shares held by proxy | | Experience and education | Concurrent duties in the Company and other companies | Other managers, directors or supervisors being the spouse or relative within the second degree of kinship | | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | Share-holding ratio | Shares | Share-holding ratio | Shares | Share-holding ratio | Shares | Share-holding ratio | | | Position | Name | Rela-tion | |
| Independent director | Taiwan | Yean-Der Kuan | Male 51-60 | 2024.05.28 | 3 years | 2019.05.23 | - | 0% | - | 0% | - | 0% | - | 0% | Ph.D., University of Missouri, Columbia | Full-time Professor, Department of Refrigeration, Air Conditioning and Energy, National Chin-Yi University of Technology | None | None | None | |
| Independent director | Taiwan | Li-Rong Hong | Female 61-70 | 2024.05.28 | 3 years | 2021.07.20 | - | 0% | - | 0% | - | 0% | - | 0% | Bachelor, National Cheng Kung University (Accounting Department)<br>CPA, PwC Taiwan | Independent Director, Eternal Materials Co., Ltd. | None | None | None | |
| Independent director | Taiwan | Wen-An Yang | Male 61-70 | 2024.05.28 | 3 years | 2021.07.20 | - | 0% | - | 0% | - | 0% | - | 0% | Master of Commerce, National Taiwan University<br>Vice Director of Ernst&Young Taiwan and General Manager of Ernst&Young Financial Consulting | CPA, Durben Taiwan<br>Chairman, Durben Digital Solutions, Inc.<br>Chairman,Durben Financial Consulting Co., Ltd.<br>Independent Director, Arcadyan Technology Corporation<br>Independent Director, E&E Recycling, Inc. | None | None | None | |
| Independent director | Taiwan | Ming-Bing Chen | Male 61-70 | 2024.05.28 | 3 years | 2021.07.20 | - | 0% | - | 0% | 7.00 | 0% | - | 0% | Department of Electrical Engineering, National Taipei Institute of Technology<br>Special Assistant, Home Appliance Business Department, Marketing Division, TECO Electric & Machinery Co., Ltd. | Independent Director of the Company | None | None | None | |

Note 1: If the Chairman and the President or equivalent positions (the top manager) of the Company are the same person, spouse or relative of each other, state the reasons, reasonableness, necessity and countermeasures: The chairman of the Company concurrently serves as the general manager. In order to improve operating efficiency and decision-making execution capabilities, and in response to the Group's organizational development and operational plans, the Company not only recruits outstanding talents, but also actively cultivates senior officers who have potential, training them with various management skills, to select successors; in addition, the chairman of the board of directors also closely communicates with all directors on the current operating status and planning policies of the Company to implement corporate governance.

Note 2: Director Ming-Cheng Wu, had resigned on May 28, 2024.

Note 3: Director Ming-Cheng Wu holds 1,180 thousand shares in a trust with retained discretionary authority.

**(Table 1): Major Shareholders of Corporate Shareholders**

April 10, 2025

| Name of Corporate Shareholders | Major Shareholders of Corporate Shareholders | **Shareholding Ratio** |
|---|---|---|
| TECO Electric & Machinery Co. | PJ Asset Management Group | 17.45% |
| | Walsin Lihwa Corporation | 10.81% |
| | Yuanta/P-shares Taiwan Dividend Plus ETF | 5.45% |
| | Jiayuan Investment Co., Ltd. | 5.40% |
| | CAPITAL TIP CUSTOMIZED TAIWAN SELECT HIGH DIVIDEND EXCHANGE TRADED FUND | 2.85% |
| | Ho Yuan International Investment Co., Ltd. | 2.36% |
| | CREATIVE SENSOR INC. | 2.20% |
| | Dongguang Investment Co., Ltd. | 1.50% |
| | Guangyuan Industrial Co., Ltd. | 1.25% |
| | Yingyi International Investment Co., Ltd. | 1.05% |

| Corporate Shareholders | Major Shareholders | **Shareholding Ratio** |
|---|---|---|
| Hua Hong Industrial Co., Ltd. | Yu-Fen, Huang | 100% |

(1) Major Shareholders of Corporate Shareholders

April 10, 2025

| Name of Corporate Shareholders | Major Shareholders of Corporate Shareholders |
|---|---|
| PJ Asset Management Group | Heyang Management Consulting Co., Ltd. (100%) |
| Walsin Lihwa Corporation | Jinxin Investment Co., Ltd. (6.15%); Winbond Electronics Corp. (6.14%); TECO Electric and Machinery Co., Ltd. (5.22%); Rong Chiang International Ltd. (4.95%); Standard Chartered Bank, Taipei Branch, Custodian for Royal Bank of Canada (Singapore) Investment Account (4.54%); Hua Li Investment Co., Ltd. (2.65%); Yu-Hui, Chiao (1.74%); Citibank Taiwan Custodian for Norges Bank Investment Account (1.67%); Yu-Heng, Chiao(1.62%); Chunghwa Post Co., Ltd. (1.49%) |
| Jiayuan Investment Co., Ltd. | Ho Yuan International Investment Co., Ltd. (99.89%); Chang Wei Management Consulting Co., Ltd.(0.11%) |
| CREATIVE SENSOR INC. | Teco Image Systems (TIS) Co., Ltd. (19.39%); Universal Cement Corporation (8.83%); Tien Da Investment Co., Ltd. (8.28%); Universal Cement Investment Co., Ltd. (6.04%); KORYO ELECTRONICS CO., LTD (3.82%); CREATIVE SENSOR INC. (Treasury stock 3.38%); Kao-Huang, Lin (1.56%); A-Chung, Hou (1.29%); Ho-Kuei, Lai (0.75%); Jung-Huang, Liu(0.57%) |

| | |
|---|---|
| Dongguang Investment Co., Ltd. | Guangyuan Industrial Co., Ltd. (39.27%); Huang Lin, He-hui (35.01%); Bright Industry Investment Co., Ltd. (Hong Kong) (12.73%); Tung Ho International Investment Co., Ltd.(6.00%); other (6.99%) |
| Guangyuan Industrial Co., Ltd. | Dongguang Investment Co., Ltd.(34.46%); Huang Lin, He-hui (51.58%); Bright Industry Investment Co., Ltd. (Hong Kong) (10.0%); Tung Ho International Investment Co., Ltd.(0.74%); other (3.22%) |
| Yingyi International Investment Co., Ltd. | Bo-Zhi, Huang (99.28%); Feng-Mei, Xu(0.72%) |

**(Table 2): Principal Shareholders of Major Corporate Shareholders**

(1) Principal Shareholders of Major Corporate Shareholders

April 10, 2025

| Name of Corporate Shareholders | Major Shareholders of Corporate Shareholders |
|---|---|
| Ho Yuan International Investment Co.,Ltd. | Five Star Asset Management Co., Ltd.(100%) |
| Dongguang Investment Co., Ltd. | Guangyuan Industrial Co., Ltd. (39.27%); Huang Lin, He-hui (35.01%); Bright Industry Investment Co., Ltd. (Hong Kong) (12.73%); Tung Ho International Investment Co., Ltd.(6.00%); other (6.99%) |
| Tung Ho International Investment Co., Ltd. | Shang-Li, Huang (25.89%); Bo-Yuan, Wang (20%); Guangyuan Industrial Co., Ltd. (29.5%); Yu-Ren, Huang (17.78%); other (6.83%) |
| CREATIVE SENSOR INC. | Teco Image Systems (TIS) Co., Ltd. (19.39%); Universal Cement Corporation (8.83%); Tien Da Investment Co., Ltd. (8.28%); Universal Cement Investment Co., Ltd. (6.04%); KORYO ELECTRONICS CO., LTD (3.82%); CREATIVE SENSOR INC. (Treasury stock 3.38%); Kao-Huang, Lin (1.56%); A-Chung, Hou (1.29%); Ho-Kuei, Lai (0.75%); Jung-Huang, Liu(0.57%) |

(2) Principal Shareholders of Prior Major Corporate Shareholders

April 10, 2025

| Name of Corporate Shareholders | principal shareholders of the major shareholder that is a corporate entity. |
|---|---|
| Five Star Asset Management Co., Ltd. | I-Tsai, Lin(16.67%);Hsin-Pao, Lin (16.67%); Ming-Ku, Lin (16.67%); I-Wen, Lin(16.67%); Ming-Yuan, Lin(16.67%); Chen-Hai, Lin (8.33%); Shu-Chiung, Tseng(4.16%); Shu-Chen, Pai(4.16%) |
| Guangyuan Industrial Co., Ltd. | Dongguang Investment Co., Ltd. (34.46%); Huang Lin, He-hui (51.58%); Bright Industry Investment Co., Ltd. (Hong Kong) (10.0%); Tung Ho International Investment Co., Ltd. (0.74%); other (3.22%) |
| Bright Industry Investment Co., Ltd. (Hong Kong) | Mei-Ling, Teh (100%) |
| Tung Ho International Investment Co., Ltd. | Shang-Li, Huang (25.89%); Bo-Yuan, Wang (20%); Guangyuan Industrial Co., Ltd. (29.5%); Yu-Ren, Huang (17.78%); other (6.83%) |
| Teco Image Systems (TIS) Co., Ltd. | Lingguang Technology Co., Ltd.(29.69%); Tien Da Investment Co., Ltd.(10.45%); Koryo Electronics Co., Ltd.(10.15%); Anfu International Investment Co., Ltd.(9.41%); Dong An Investment Co., Ltd.(7.28%); TECO International Investment Co., Ltd.(5.67%); Guangyuan Industrial Co., Ltd. (4.24%); Antai International Investment Co., Ltd.(1.13%); Hung-Li, Chen (1 %); Chin-Sheng, Chiao(0.53%) |

| Name of Corporate Shareholders | principal shareholders of the major shareholder that is a corporate entity. |
|---|---|
| Universal Cement Corporation | Sheng Yuan Investment Co., Ltd.(10.32%); UNIVERSEN INVESTMENT LIMITED(10.29%); Po-Yi, Hou (7.93%); HSBC Custodian － Bit Bank Investment Account(4.87%); Bozhi Investment Co., Ltd.(4.27%); Chin-Chien, Hou Su (3.43%); Standard Chartered Bank (Custodian for DBS Bank).0600049662 (3.09%); Po-Yu, Hou (2.76%); T.H. Wu Foundation (1.79%); Long Yi Chang Gravel Co., Ltd. (1.45%) |
| Tien Da Investment Co., Ltd. | Lingguang Technology Co., Ltd.(29.85%); Koryo Electronics Co., Ltd.(27.27%); Teco Image Systems (TIS) Co., Ltd. (25.17%); LIEN CHANG ELECTRONIC ENTERPRISE CO., LTD. (9.79%); MULTILITE INTERNATIONAL CO., LTD.(6.99%); VICTRON TECHNOLOGY CO., LTD. (0.92%) |
| Universal Cement Investment Co., Ltd. | Universal Cement Corporation (100%) |
| Koryo Electronics Co., Ltd. | Teco Image Systems (TIS) Co., Ltd. (19.29%); Lingguang Technology Co., Ltd.(19.07%); MULTILITE INTERNATIONAL CO., LTD.(11.30%); Chuan-Fu, Lu (10.95%); Tien Da Investment Co., Ltd. (9.82%); Ce-Hang, Yang (2.91%); JOYCE WORLDWIDE LTD. (2.91%); Huang Lin, He-hui (2.22%); Ching-Fen, Yang (2.06%); Mao-Hsiung, Huang (0.94%) |

I. Disclosure of professional qualifications of directors and supervisors and independence of independent directors:

| Title | Criteria / Name | Professional qualifications and experience (Note 1) | Independence status (Note 2 and 3) | Number of independent director positions of other public companies |
|---|---|---|---|---|
| Director | Chung-Kuo Tseng | Da-Yeh University Credit Class, Advanced Master of Management Program of National Cheng Kung University (non-completion)<br>Experience:<br>Chairman and General Manager of the Company<br>Chairman, Cozy Air-Conditioning Co., Ltd.<br>Chairman, KuenLing Machinery Refrigerating (Shanghai) Co., Ltd.<br>Chairman, KuenLing Machinery Refrigerating (Suzhou) Co., Ltd.<br>Chairman, Qie Lun Investment Co., Ltd.<br>Rich experience in operation judgment, business management, crisis management, industrial knowledge, leadership, decision-making ability and other related fields.<br>There are no circumstances under Article 30 of the Company Act. | Note 2 | 0 |
| Director | Rung-Pin Yeh | Tian Chung High School<br>Experience:<br>Vice President, Kuen Ling Machinery Refrigerating Co., Ltd.<br>Director, Cozy Air-Conditioning Co., Ltd.<br>Vice-Chairman, KuenLing Machinery Refrigerating (Suzhou) Co., Ltd.<br>Rich experience in operation judgment, industrial knowledge, leadership, decision-making ability and other related fields.<br>There are no circumstances under Article 30 of the Company Act. | Note 2 | 0 |
| Director | Wen-Chi Ko | Administrative Department, Open School of National Cheng Chi University<br>Experience:<br>Supervisor, Cozy Air-Conditioning Co., Ltd.<br>Chairman, Wenji Investment Co., Ltd.,<br>Chief of the Review Section of the Kaohsiung National Tax Bureau, Ministry of Finance<br>Rich experience in operation judgment, financial accounting, business management, international market view, leadership, decision-making ability and other related fields. There are no circumstances under Article 30 of the Company Act. | Note 2 | 0 |

| Title | Criteria / Name | Professional qualifications and experience (Note 1) | Independence status (Note 2 and 3) | Number of independent director positions of other public companies |
|---|---|---|---|---|
| Director | Hua Hong Industrial Co., Ltd. Representative: Yu-Fen Huang | Chung Hwa University of Medical Technology<br>Experience:<br>Chairman of Hua Hong Industrial Co., Ltd.;Supervisor of Qie Lun Investment Co., Ltd; Director of Yong Sheng Gas Station Industrial Co., Ltd.;Director of Cozy Air-Conditioning Co., Ltd.., Ltd.;Director of the Company;Director of Ying Long Co., Ltd.;Chairman of Wangliang Investment Co., Ltd.<br>Rich experience in operation judgment, crisis management, decision-making ability and other related fields.<br>There are no circumstances under Article 30 of the Company Act. | Note 2 | 0 |
| Director | Chi-Tseng Peng, Representative of TECO Electric and Machinery Co., Ltd. | Education: Master of Telecommunications Engineering, University of Pittsburgh, EMBA of National Cheng Chi University<br>Experience:<br>Chairman, A-OK Technical Service Co., Ltd.; Chairman, Tesen Electronic Co., Ltd.; Chairman, Jiangxi Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman; Dongguan Dongcheng Air-conditioning Equipment Co., Ltd.; Chairman, Nanchang Dongyuan Electric Co., Ltd.; General Manager, Antai Innovation Technology (Xiamen) Co., Ltd.; Director, Taiwan Pelican Express Co., Ltd.; Director, E&E Recycling, Inc.; Director of the Company; Director, UD Corporation; Director, Far Eastern Electronic Toll Collection Co., Ltd.; Director, FETC International Co., Ltd.; Director, Information Technology Total Services; Director, Australia TAC; Director, TECO 3C; Director, Teco Technology (Vietnam) Co., Ltd.; Chairman, E-Joy Australia;Director, TECO Elektrik Turkey A.Ş (TET); General Manager, Home Appliance Business Group of TECO Electric & Machinery Co., Ltd.<br>Rich experience in operation judgment, crisis management, business management, international market view, leadership, decision-making ability and other related fields.<br>There are no circumstances under Article 30 of the Company Act. | Note 2 | 0 |

| Title | Criteria / Name | Professional qualifications and experience (Note 1) | Independence status (Note 2 and 3) | Number of independent director positions of other public companies |
|---|---|---|---|---|
| Independent director | Yean-Der Kuan | Ph.D., University of Missouri, Columbia<br>Experience:<br>Full-time Professor, Department of Refrigeration, Air Conditioning and Energy, National Chin-Yi University of Technology<br>Rich experience in crisis management, industrial knowledge, international market view, decision-making ability and other related fields.<br>There are no circumstances under Article 30 of the Company Act. | Notes 2 and 3 | 0 |
| Independent director | Li-Rong Hong | Bachelor, National Cheng Kung University (Accounting Department)<br>Experience:<br>CPA, PwC Taiwan<br>Independent Director, Eternal Materials Co., Ltd.<br>Rich experience in operation judgment, financial accounting, business management, crisis management, business management, international market view, decision-making ability and other related fields.<br>There are no circumstances under Article 30 of the Company Act. | Notes 2 and 3 | 1 |
| Independent director | Wen-An Yang | Master of Commerce, National Taiwan University<br>Experience:<br>CPA, BDO Taiwan CPAs Firm<br>General Manager, LIFETECH ENERGY INC.<br>Chairperson, The Institute of Internal Auditors-Chinese Taiwan<br>General Manager, Diwan Financial Advisory Services Co., Ltd.<br>CPA, Ernst & Young CPAs Firm<br>CPA, Durbun CPAs Firm<br>Chairman, Durbun Digital Solutions, Inc.<br>Chairman, Durbun Financial Consulting Co., Ltd.<br>Independent Director, Arcadyan Technology Corporation<br>Independent Director, E&E Recycling, Inc.<br>Director, Lien Chang Electronic Enterprise Co., Ltd.Rich experience in operation judgment, financial accounting, business management, industrial knowledge, decision-making ability and other related fields.<br>There are no circumstances under Article 30 of the Company Act. | Notes 2 and 3 | 2 |

| Title | Criteria / Name | Professional qualifications and experience (Note 1) | Independence status (Note 2 and 3) | Number of independent director positions of other public companies |
|---|---|---|---|---|
| Independent director | Ming-Bing Chen | Department of Electrical Engineering, National Taipei Institute of Technology<br>Experience:<br>Special Assistant, Home Appliance Business Department, Marketing Division, TECO Electric &Special Assistant<br>Rich experience in business management, crisis management, industrial knowledge, leadership, decision-making ability and other related fields.<br>There are no circumstances under Article 30 of the Company Act. | Notes 2 and 3 | 0 |

Note 1: Please refer to Table 1(P.12-13) for information on directors.

Note 2: Please refer to Table 1(P.12-13) for information on directors.

Note 3: The independent director, his/her spouse or relatives within the second degree of kinship have not served as directors, supervisors or employees of the Company or its affiliated enterprises.

The independent director, his/her spouse and relatives within the second degree do not hold Company shares (or in the names of others) and have not served as directors, supervisors or employees of a company that has a specific relationship with the Company (please refer to sub-paragraphs 5 to 8, paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); no remuneration was obtained from providing business, legal, financial, accounting and other services to the Company or its affiliates in the past 2 years.

II. Diversity and independence of the board of directors:

(I) Diversity of the board of directors: Describe the diversification policy and objectives for the board of directors and achievement.

Currently, there are 9 directors (including 4 independent directors) on the Board of Directors of the Company. All members of the Board of Directors have diversified and complementary industry experience and financial and accounting expertise; the Company has appointed 2 female directors with expertise in finance, accounting, and crisis management. If the number of directors of either gender on the Board does not reach one-third, the Company shall disclose the reasons and measures adopted to improve gender diversity on the Board:

The Company has established a 9member Board of Directors in accordance with its Articles of Incorporation. The current directors were elected at the shareholders' meeting on May 28, 2024. Although there are 2 female directors, which comply with the relevant regulations at the time, the number does not meet the one-third threshold. The reasons are as follows:

（1）Most of the current Board members are re-elected directors with low turnover, which slows the progress of gender diversification. Some independent directors possess specific industry expertise or long-term management experience, making it difficult to replace them in the short term to achieve gender balance.

（2）As a company in the traditional manufacturing industry, the field has historically been male-dominated, limiting the pool of female candidates for board nomination.

（3）The Company has always placed importance on professional qualifications when selecting directors and has not imposed mandatory gender quotas. This, along with the relatively lower proportion of female business leaders in the market, has contributed to the slower pace of gender diversification.

To enhance corporate governance and implement its Board diversity policy, the Company has adopted the following measures:

（1）In the next Board election, the Company will actively consider candidates of the underrepresented gender and seek nominations through various channels such as industry organizations and academic institutions.
（2）The Company aims to achieve at least one-third gender representation on the Board within five years and will gradually increase gender diversity among senior management.

The current status of the implementation of the Board diversity policy is as follows:

| Diversification item / Director's name | Nationality | Gender | Currently serving as an employee of the Company | Age | | | | Length of service as independent director | | | Business Judgment | Financial Accounting | Business Management | Crisis Handling | Industry Knowledge | International Market Perspective. | Leadership Capability | Decision-making Capability |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 51 to 60 | 61 to 70 | 71 to 80 | 81 to 90 | Less than 3 years | 3 to 9 years | More than 9 years | | | | | | | | |
| Chung-Kuo Tseng (Chairman) | R.O.C. | Male | V | | V | | | | | | V | | V | V | V | | V | V |
| Rung-Pin Yeh (Director) | R.O.C. | Male | | | | V | | | | | V | | | | V | | V | V |
| Wen-Chi Ko (Director) | R.O.C. | Male | | | | | V | | | | V | V | V | | | V | V | V |
| Yu-Fen, Huang (Director) | R.O.C. | Female | | V | | | | | | | V | | | V | | | | V |
| Chi-Tseng Peng (Director) | R.O.C. | Male | | V | | | | | | | V | | V | V | | V | V | V |
| Li-Rong Hong (Independent Director) | R.O.C. | Female | | | V | | | | V | | V | V | V | V | | V | | V |
| Yean-Der Kuan (Independent Director) | R.O.C. | Male | | V | | | | | V | | | | | V | V | V | V | V |
| Wen-An Yang (Independent Director) | R.O.C. | Male | | | V | | | | V | | V | V | V | | V | | | V |
| Ming-Bing Chen (Independent Director) | R.O.C. | Male | | | V | | | | V | | | | V | V | V | | V | V |

The specific management objectives of the Company’s diversity policy and their achievement are as follows:

| Management Objectives | Achievement |
|---|---|
| No director or independent director serves as a director of more than five listed companies at the same time | Achieved |
| The number of independent directors exceeds one-third of the number of directors and the number of independent directors does not exceed three consecutive terms. | Achieved |
| The number of directors who are also managers of the Company shall not exceed one-third of the total number of directors. | Achieved |
| More than half of the directors are not related to each other as spouses or relatives within the second degree of kinship. | Achieved |
| The board of directors focuses on operational judgment, business management and crisis management capabilities. More than 2/3 of the board members should have the ability to related core projects. | Achieved |
| Female directors account for one-third of director seats | Not achieved |

(II) Independence of the board of directors: State the number or proportion of independent directors, the independence of the board of directors, and whether there are no circumstances as prescribed in paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act, including the situation that there are spouses and relatives within the second degree of kinship between directors, between supervisors, or between directors and supervisors.

The Company’s Board of Directors consists of nine members, including four Independent Directors (accounting for 44%). All Independent Directors maintain their independence when performing their duties and have no direct or indirect interests with the Company. They also serve as members of the Audit Committee, supervising the appropriateness of the Company's financial statements, the appointment and dismissal and the independence and performance of the certified public accountants, the effective implementation of internal controls, compliance with relevant laws and regulations, and the management of existing or potential risks faced by the Company.

Among all directors (including Independent Directors), only two have a spousal relationship. In addition, Article 16 of the Company's "Rules of Procedure for Board of Directors Meetings" clearly stipulates that "Directors who have a conflict of interest in any agenda item, whether directly or on behalf of a juristic person, must explain the important aspects of the conflict at the current Board meeting. If such conflict may harm the interests of the Company, they must refrain from participating in the discussion and voting on the item, and may not act as proxy for another director to exercise voting rights." All directors have complied with the aforementioned regulations, thereby ensuring the independence of the Board’s operations.

## (II) Information of the General Manager, Vice General Managers, senior managers, and heads of departments and branches

March 31, 2024; Unit: thousand shares; %

| Title | Nation-ality | Gender | Name | Election / Appoint-ment Date | Current shareholding | | Shareholding of spouse and underage children | | Shares held by proxy | | Major experience and education | Concurrent positions in other companies | Spouse or relatives of the second degree or closer acting as managers | | | Notes |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Shareholding ratio | Shares | Shareholding ratio | Shares | Shareholding ratio | | | Title | Name | Rela-tion | |
| Chairman and General Manager | Taiwan | Male | Chung-Kuo Tseng | 1992.05.30 | 2,423 | 3.18% | 283 | 0.37% | 4,025 | 5.29% | Da-Yeh University Credit Class, Advanced Master of Management Program of National Cheng Kung University (non-completion) | Chairman, Cozy Air-Conditioning Co., Ltd.; Chairman, ,Kuen Ling Machinery Refrigerating (Shanghai) Co., Ltd.; Chairman, Kuen Ling Machinery Refrigerating (Suzhou) Co., Ltd.; Chairman, Qie Lun Investment Co., Ltd. | None | None | None | The Chairman and the General Manager are the same person, and 4 independent directors were added on July 20, 2021.(Please refers to Page12) |
| Deputy General Manager, Sales Technology Department | Taiwan | Male | Hsien-Jung Kuo | 2023.01.02 | 76 | 0.10% | 0 | 0.00% | 0 | 0.00% | Institute of Industrial Engineering and Management, National Kaohsiung University of Science and Technology | Deputy General Manager, Sales Technology Department, Cozy Air-Conditioning Co., Ltd. | None | None | None | |
| Deputy General Manager, R&D Department (Note) | Taiwan | Male | Chin-Chung Wu | 2023.01.02 | 52 | 0.07% | 3 | 0.00% | 0 | 0.00% | Department of Business Administration, Kao Yuan University | Chief Operating Officer and Director of Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. | None | None | None | |
| Assistant Manager, Financial Department | Taiwan | Female | Li-Ling Su | 2023.01.02 | 68 | 0.09% | 0 | 0.00% | 0 | 0.00% | Tainan University of Technology | Assistant Manager of Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd.; Assistant Manager of Financial Department of Cozy Air-Conditioning Co., Ltd. | None | None | None | |

Note: Chin-Chung Wu, Deputy General Manager of the Sales Department, was reassigned as Deputy General Manager of the R&D Department on April 1, 2025.

## (III) Remuneration paid to Directors, Supervisors, the General Manager and Deputy General Managers in the Most Recent Year

### 1. Remuneration of directors and independent directors (name and method of remuneration disclosed separately)

Unit: NT$ thousand

| No. | Title | Name | Directors' compensation | | | | | | | | Sum of A, B, C, and D and as a percentage of profit after tax | | Compensation received as an employee | | | | | | | | Sum of A, B, C, D, E, F, and G and as a percentage of profit after tax | | Compensation from reinvested enterprises other than subsidiaries and from the parent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Compensation (A) | | Pension (B) | | Directors' remuneration (C) | | Business execution expenses (D) | | | | Salaries, bonuses, special allowances etc. (E) | | Pension (F) | | Employees' remuneration (G) | | | | | | |
| | | | The Company | All companies included in the financial statements of the Company | The Company | All companies included in the financial statements of the Company | The Company | All companies included in the financial statements of the Company | The Company | All companies included in the financial statements of the Company | The Company | All companies included in the financial statements of the Company | The Company | All companies included in the financial statements of the Company | The Company | All companies included in the financial statements of the Company | The Company | | All companies included in the financial statements of the Company | | The Company | All companies included in the financial statements of the Company | |
| | | | | | | | | | | | | | | | | | Amount paid in cash | Amount paid in shares | Amount paid in cash | Amount paid in shares | | | |
| 1 | Chairman | Chung-Kuo Tseng (re-elected on May 28, 2024) | - | - | - | - | 5,853 | 5,853 | 60 | 60 | 1.85% | 1.86% | 5,044 | 8,840 | 61 | 61 | 907 | - | 3,603 | - | 3.73% | 5.79% | None |
| 2 | Director | Rung-Pin Yeh (re-elected on May 28, 2024) | 150 | 1,008 | - | - | 1,463 | 1,463 | 60 | 60 | 0.52% | 0.80% | - | 2,050 | - | - | - | - | - | - | 0.52% | 1.44% | None |
| 3 | Director | Wen-Chi Ko (re-elected on May 28, 2024) | - | 360 | - | - | 1,463 | 1,463 | 60 | 60 | 0.48% | 0.59% | - | - | - | - | - | - | - | - | 0.48% | 0.59% | None |
| 4 | Director | Hua Hong Industrial Co., Ltd. Representative: Yu-Fen, Huang (newly elected on May 28, 2024) | - | - | - | - | 1,463 | 1,463 | 40 | 40 | 0.47% | 0.47% | - | - | - | - | - | - | - | - | 0.47% | 0.47% | None |
| 5 | Director | Chi-Tseng Peng, Representative of TECO Electric & Machinery Co., Ltd. (re-elected on May 28, 2024) | - | - | - | - | 1,463 | 1,463 | 30 | 30 | 0.47% | 0.47% | - | - | - | - | - | - | - | - | 0.47% | 0.47% | None |
| 6 | Director | Wu Ming-Cheng (resigned on May 28, 2024) | - | - | - | - | - | - | 20 | 20 | 0.01% | 0.01% | - | - | - | - | - | - | - | - | 0.01% | 0.01% | None |
| 7 | Independent director | Li-Rong Hong( re- elected on May 28, 2024) | 600 | 600 | - | - | - | - | 60 | 60 | 0.21% | 0.21% | - | - | - | - | - | - | - | - | 0.21% | 0.21% | None |
| 8 | Independent director | Yean-Der Kuan (re-elected on May 28, 2024) | 473 | 473 | - | - | - | - | 60 | 60 | 0.17% | 0.17% | - | - | - | - | - | - | - | - | 0.17% | 0.17% | None |
| 9 | Independent director | Ming-Bing Chen (re-elected on May 28, 2024) | 600 | 600 | - | - | - | - | 60 | 60 | 0.21% | 0.21% | - | - | - | - | - | - | - | - | 0.21% | 0.21% | None |
| 10 | Independent director | Wen-An Yang (re-elected on May 28, 2024) | 600 | 600 | - | - | - | - | 60 | 60 | 0.21% | 0.21% | - | - | - | - | - | - | - | - | 0.21% | 0.21% | None |

1. Please state the remuneration payment policy, system, standard and structure of independent directors and the relationship between the remuneration and the responsibilities, risks, time invested and other factors: the above is handled according to the remuneration payment method for independent directors; when independent directors perform their duties for the Company, regardless of the Company's operating profit and loss, with reference to the performance evaluation results, the Company may pay a fixed remuneration of not more than NT$50,000 per month. Independent directors also cannot participate in the distribution of the total remuneration of directors reported to the general shareholders' meeting.
2. In addition to the disclosure in the table above, the remuneration received by the directors of the Company for their services (such as serving

as non-employee consultants for the parent/all companies in the financial report/reinvested enterprises) in the most recent year: None

| Remuneration ranges | | | | |
|---|---|---|---|---|
| Remuneration ranges paid to each director of the Company | Director’s name (Note 1) | | | |
| | Total amount of the first four remuneration amounts (A+B+C+D) | | Total amount of the first seven remuneration amounts (A+B+C+D+E+F+G) | |
| | The Company | All companies included in the financial statements of the Company H | The Company | All companies included in the financial statements of the Company I |
| Below NT$ 1,000,000 | 6, 7, 8, 9 | 6, 7, 8, 9 | 6, 7, 8, 9 | 6, 7, 8, 9 |
| NT$1,000,000 (inclusive)～NT$2,000,000 | 2, 3, 4, 5 | 3, 4, 5 | 2, 3, 4, 5 | 3, 4, 5 |
| NT$2,000,000 (inclusive)～NT$3,500,000 | | 2 | | |
| NT$3,500,000 (inclusive)～NT$5,000,000 | | | | 2 |
| NT$5,000,000 (inclusive)～NT$10,000,000 | 1 | 1 | | |
| NT$10,000,000 (inclusive)～NT$15,000,000 | | | 1 | 1 |
| NT$15,000,000 (inclusive)～NT$30,000,000 | | | | |
| NT$30,000,000 (inclusive)～NT$50,000,000 | | | | |
| NT$50,000,000 (inclusive)～NT$100,000,000 | | | | |
| NT$ 100,000,000 and above | | | | |
| Total | 9 people | 9 people | 9 people | 9 people |

Note 1: Indicated by the number of each director

*** The remunerations disclosed in this table is different from those under the income concept in the Income Tax Act, so this table is intended for information disclosure and not for tax purposes.**

## 2. Remuneration of the General Manager and Vice- General Managers (name and method of remuneration disclosed separately)

Unit: NT$ thousand

| Title | Name | Salary (A) | | Pensions (B) | | Bonuses and special disbursements (C) | | Remuneration for employees (D) | | | | Sum of A, B, C and D and as a percentage of profit after tax(%) | | Compensation from reinvested enterprises other than subsidiaries and from the parent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies in the financial report (Note 7) | The Company | All Companies in the Financial Report | The Company | All Companies in the Financial Report | The Company | | All Companies in the Financial Report | | The Company | All Companies in the Financial Report | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| General Manager | Chung-Kuo Tseng | 5,044 | 8,840 | 61 | 61 | 60 | 60 | 907 | | 3,603 | - | 1.90% | 3.95% | None |
| Deputy General Manager, Sales Technology Department | Hsien-Jung Kuo | 3,202 | 3,202 | 48 | 48 | - | - | 595 | | 610 | - | 1.20% | 1.21% | None |
| Deputy General Manager, R&D Department (Note) | Chin-Chung Wu | 3,155 | 3,877 | 48 | 48 | - | - | 595 | | 1,296 | - | 1.19 | 1.64% | None |

| Remuneration ranges | | |
|---|---|---|
| Remuneration ranges paid to each General Manager and Vice General Manager of the Company | Names of General Manager and vice General Managers | |
| | The Company | All companies in the financial report |
| Below NT$ 1,000,000 | | |
| NT$1,000,000 (inclusive) to NT$2,000,000 | | |
| NT$2,000,000 (inclusive) to NT$3,500,000 | | |
| NT$3,500,000 (inclusive) to NT$5,000,000 | Hsien-Jung Kuo and Chin-Chung Wu | Hsien-Jung Kuo |
| NT$5,000,000 (inclusive) to NT$10,000,000 | Chung-Kuo Tseng | Chin-Chung Wu |
| NT$10,000,000 (inclusive) to NT$15,000,000 | | Chung-Kuo Tseng |
| Total | 3 people | 3 people |

Note: Chin-Chung Wu, Deputy General Manager of the Sales Department, was reassigned as Deputy General Manager of the R&D Department on April 1, 2025.

*** The remunerations disclosed in this table is different from those under the income concept in the Income Tax Act, so this table is intended for information disclosure and not for tax purposes.**

### 3. Names of managers distributed with employees' remuneration and the distribution status:

March 31, 2025 Unit: NT$ thousand

| | Title | Name | Stock | Cash (Note 1) | Total | Total as a percentage of profit after tax (%) (Note 2) |
|---|---|---|---|---|---|---|
| Managers | General Manager | Chung-Kuo Tseng | 0 | 2,239 | 2,239 | 0.70% |
| | Deputy General Manager, Sales Technology Department | Hsien-Jung Kuo | | | | |
| | Deputy General Manager, R&D Department (Note 3) | Chin-Chung Wu | | | | |
| | Assistant Manager, Financial Department | Li-Ling Su | | | | |

Note 1: It refers to the employees' remuneration proposal for 2024, which was approved by the Board of Directors on March 11, 2025 and the proposed employees' remuneration is NT$27,313 thousand.

Note 2: It is calculated based on the amount of profit after tax of NT$319,549 thousand in 2024.

Note 3: Chin-Chung Wu, Deputy General Manager of the Sales Department, was reassigned as Deputy General Manager of the R&D Department on April 1, 2025.

**(IV) Compare and explain the analysis of the total amount of remuneration paid by the Company and all companies in the consolidated financial statements to the Company's directors, supervisors, General Manager and Deputy General Managers in the last two years as a percentage of the profit after tax of the individual or entity financial report, and explain the remuneration policies standards and packages, procedures for setting remuneration and the relationship with business performance and future risks**

**1. Total amount of remuneration paid by the Company to directors, supervisors, the General Manager and vice General Managers in the past two years**

| Item | The Company | | | | All companies included in the consolidated statements | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2024 | | 2023 | |
| | Total | Proportion of net profit after tax | Total | Proportion of net profit after tax | Total | Proportion of net profit after tax | Total | Proportion of net profit after tax |
| Remuneration of all directors for the year | 20,631 | 6.46% | 18,564 | 7.18% | 30,391 | 9.55% | 25,681 | 9.25% |
| Remuneration of supervisors for the year | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Remuneration of the president and vice presidents for the year | 13,717 | 4.29% | 12,453 | 4.82% | 21,646 | 6.80% | 17,609 | 6.34% |
| Net income after tax | 319,549 | - | 258,404 | - | 318,343 | - | 277,536 | - |

Note 1: The total amount of directors' remuneration in 2024 increased compared with 2023, due to the increase in net income after tax in 2024. In addition, the total remuneration of the general manager and deputy general manager has increased compared with 2023, which is also due to the increase in net income after tax in 2024 and the results of the manager's performance evaluation in 2024, which are better than the target standard requirements..

## 2. The Company's remuneration policy, standards and packages, procedures of setting remuneration, and the relationship with business performance and future risks

(1) The Company's independent directors only receive fixed remuneration and do not participate in the distribution of directors' compensation. The policy and standards for compensating other directors and managers are clearly stated in Article 20-1 of the Articles of Incorporation: "The Company shall allocate, at the rate of 3% to 7% of the Company's profit as employees' bonus, with no less than 2% for grassroots employees and no more than 3% for directors. However, losses must be covered before any allocation. Employee bonuses may be distributed in cash or shares to eligible employees. Additionally, according to Article 9 of the Board Performance Evaluation Measures: "The results of the board's performance evaluation shall serve as a reference for selecting or nominating directors and for determining each director's individual remuneration."

(2) The Company's remuneration package, as stipulated in the Organization Regulations of the Remuneration Committee, includes cash compensation, stock options, profit sharing, retirement benefits or severance payments, various allowances, and other substantial incentive measures. The scope is consistent with the items required to be disclosed in the annual report for publicly listed companies regarding directors' and managers' compensation.

(3) The procedures for determining remuneration are based on the "Board Performance Evaluation Measures" and the "Employee Compensation Measures," linking rewards to the overall operational performance of the Company to ensure reasonable remuneration. The self-assessment for directors covers six major aspects: participation in the Company's operations, internal relationship management and communication, professional expertise and continued education, internal control, understanding of Company goals and missions, and awareness of directors' duties. The evaluation of managers includes financial indicators (such as operating revenue, gross margin targets, accounts receivable turnover days, borrowing interest rates achievement, debt ratio, etc.) and non-financial indicators (such as short-, medium-, and long-term planning and execution, operational management capabilities, and new customer acquisition). Directors' remuneration and managers' bonuses are based on performance evaluation results, and the reasonableness of their compensation and assessments is reviewed annually by the Remuneration Committee and the Board of Directors.

# II. Implementation of Corporate Governance

## (I) Operation Status of the Board of Directors:

A total of 6 Board of Directors meetings were held in the most recent year and the directors' attendance records are as follows:

| Title | Name | Actual frequency of attendance (being seated) in meetings (B) | Frequency of attendance through proxy | Actual attendance (seated) rate (%) [B/A] | Note |
|---|---|---|---|---|---|
| Chairman | Chung-Kuo Tseng | 6 | 0 | 100% | Re-elected on May 28, 2024 |
| Director | Rung-Pin Yeh | 6 | 0 | 100% | Re-elected on May 28, 2024 |
| Director | Wen-Chi Ko | 6 | 0 | 100% | Re-elected on May 28, 2024 |
| Director | Ming-Cheng Wu | 1 | 0 | 100% | Elected on July 20, 2021<br>Resigned on May 28, 2024 |
| Director | Hua Hong Industrial Co., Ltd. Representative: Yu-Fen, Huang | 5 | 0 | 100% | Newly elected on May 28, 2024 |
| Director | Chi-Tseng Peng, Representative of TECO Electric & Machinery Co., Ltd. | 4 | 2 | 67% | Re-elected on May 28, 2024 |
| Independent director | Yean-Der Kuan | 6 | 0 | 100% | Re-elected on May 28, 2024 |
| Independent director | Li-Rong Hong | 6 | 0 | 100% | Re-elected on May 28, 2024 |
| Independent director | Wen-An Yang | 6 | 0 | 100% | Re-elected on May 28, 2024 |
| Independent director | Ming-Bing Chen | 6 | 0 | 100% | Re-elected on May 28, 2024 |

Independent director attendance was as follow. (●: attendance in person ☉: Proxy ※: Absent)

| The most recent year | 1st session | 2nd session | 3rd session | 4th session | 5th session | 6th session | Notes |
|---|---|---|---|---|---|---|---|
| Yean-Der Kuan | ● | ● | ● | ● | ● | ● | Re-elected on May 28, 2024 |
| Li-Rong Hong | ● | ● | ● | ● | ● | ● | Re-elected on May 28, 2024 |
| Wen-An Yang | ● | ● | ● | ● | ● | ● | Re-elected on May 28, 2024 |
| Ming-Bing Chen | ● | ● | ● | ● | ● | ● | Re-elected on May 28, 2024 |

Other mandatory disclosures:

I. For any Board of Directors that has any of the following circumstances, state the date, the session number, the contents of the motion, all independent directors' opinions, and the Company's response to independent directors' opinions:

(I) Conditions listed in Article 14-5 of the Securities and Exchange Act:

| Date of meeting (session) | Motion | All independent directors' opinions and the Company's response to independent directors' opinions |
|---|---|---|
| May 7, 2024<br>(The 18th meeting of the 14th session)<br>1. Approved the Company's consolidated financial statements for the first quarter of 2024. | | The independent directors have no objection or reservation. |
| August 6, 2024<br>(The 2nd meeting of the 15th session)<br>1. Approved the Company's consolidated financial statements for the second quarter of 2024.<br>2. Approved the establishment of the "Sustainable Development Committee" and the adoption of the "Organizational Rules of the Sustainable Development Committee" of the Company. | | The independent directors have no objection or reservation. |
| November 6, 2024<br>(The 3rd meeting of the 15th session)<br>Approved the Company's consolidated financial statements for the third quarter of 2024. | | The independent directors have no objection or reservation. |
| December 24, 2024<br>(The 4th meeting of the 15th session)<br>1. Approved the internal audit plan for 2025.<br>2. Approved amendments to certain provisions of the Company's "General Provisions of Internal Control System" and "Internal Audit Implementation Rules".<br>3. Approved the principles and estimated amounts for year-end bonuses for managers for 2024.<br>4. Approved the proposal for adjusting managers' salary and remuneration for 2025.<br>5. Approved the policies, systems, standards, and structures for the 2025 performance evaluation and remuneration of directors and managers. | | The independent directors have no objection or reservation. |
| March 11, 2025<br>(The 5th meeting of the 15th session)<br>1. Approved the Company's 2024 Business Report and Financial Statements.<br>2. Approved the 2024 Earnings Distribution Proposal.<br>3. Approved the 2024 Internal Control System Effectiveness Assessment and the issuance of the Internal Control System Statement.<br>4. Approved the evaluation of the independence and | | The independent directors have no objection or reservation. |

| Date of meeting (session) | Motion | All independent directors' opinions and the Company's response to independent directors' opinions |
|---|---|---|
| suitability of the certified public accountants for 2025.<br>5. Approved the engagement of certified public accountants for 2025. | | |

(II) Other than the aforementioned matters, matters resolved by the Board of Directors but with objections or reservations of independent directors with written records or statements in place: None.

II. For the recusal of directors due to conflicts of interests, clearly state the director's name, contents of the motion, the reason for interest avoidance and the participation in voting:

The 4th meeting of the 15th Board of Directors' Meeting (December 24, 2024)

Director's name: Chairman Chung-Kuo Tseng

Motion: Principles and estimated amounts for year-end bonuses for managers for 2024.

The reason for interest avoidance and the participation in voting: personal interests in the case, and needed to withdraw from the meeting during discussion and voting. Other than the non-participation of Chairman Chung-Kuo Tseng in the voting of this case, Independent Director Li-Rong Hong presided over the case on behalf of the Chairman, and the rest of the attending directors passed the proposal without dissent.

Director's name: Chairman Chung-Kuo Tseng

Motion: Proposal for adjusting managers' salary and remuneration for 2025.

The reason for interest avoidance and the participation in voting: personal interests in the case, and needed to withdraw from the meeting during discussion and voting. Other than the non-participation of Chairman Chung-Kuo Tseng in the voting of this case, Independent Director Li-Rong Hong presided over the case on behalf of the Chairman, and the rest of the attending directors passed the proposal without dissent.

Director's name: Chairman Chung-Kuo Tseng

Motion: Policies, systems, standards, and structures for the 2025 performance evaluation and remuneration of directors and managers.

The reason for interest avoidance and the participation in voting: personal interests in the case, and needed to withdraw from the meeting during discussion and voting. Other than the non-participation of Chairman Chung-Kuo Tseng in the voting of this case, Independent Director Li-Rong Hong presided over the case on behalf of the Chairman, and the rest of the attending directors passed the proposal without dissent.

The 5th meeting of the 15th Board of Directors' Meeting (March 11, 2025)

Name of Directors: Chung-Kuo Tseng, Chairman of the Board, Directors: Rung-Pin Yeh, Wen-Chi Ko, Yu-Fen Huang, Chi-Tseng Peng

Motion: The Company's 2024 Annual Employee Remuneration and Directors' and Supervisors' Remuneration Distribution.

The reason for interest avoidance and the participation in voting: personal interests in the case, and needed to withdraw from the meeting during discussion and voting. Except for Chung-Kuo Tseng, Chairman of the Board, Directors: Rung-Pin Yeh, Wen-Chi Ko, Yu-Fen Huang, Chi-Tseng Peng, who were recused from voting on this case due to their conflict of interest, Li-Rong Hong, Independent Director, Acting Chairman, was appointed to preside over this case, and the rest of the Directors present passed without objection.

III. TWSE/TPEX listed companies are required to disclose the cycle, duration, scope, method, and contents of the Board of Directors performance self (or peer) evaluation, and complete the execution status of Board of Directors performance evaluation in the table below. Execution Status of Board Evaluation:

The results of the 2024 internal performance evaluation of the Board of Directors and functional committees were reported to the Board on March 11, 2025, and the evaluation results were rated as good.

| Evaluation Cycle | Evaluation duration | Evaluation scope | Evaluation method | Evaluation content | Evaluation result |
|---|---|---|---|---|---|
| Annually | 2024/1/1~2024/12/31 | Board of Directors | Self-assessment questionnaire | Including 5 major aspects of its participation in the Company's operation, improvement of the decision-making quality of Board of Directors, composition and structure of the Board, selection and continuous training of directors, and internal control, for a total of 45 evaluating indicators. | Positive |
| | | Individual directors | Self-assessment questionnaire | Including 6 major aspects of the individual director's mastery of the Company's objectives and tasks, recognition of responsibilities, participation in the Company's operation, internal relationship management and communication, expertise and continuous learning, and internal control, for a total of 23 evaluating indicators. | Positive |
| | | Audit committee | Self-assessment questionnaire | Including the 5 major aspects of participation in the Company's operation, recognition of the responsibilities, improvement of the decision-making quality of the committee, composition and members selection of the committee, and internal control, for a total of 23 evaluating indicators. | Positive |
| | | Compensation committee | Self-assessment questionnaire | Including the 5 major aspects of participation in the Company's operation, recognition of the responsibilities, improvement of the decision-making quality of the committee, composition and members selection of the committee, and internal control, for a total of 23 evaluating indicators. | Positive |

IV. Assessment of the goals and execution status of enhancing the functions of the Board of Directors in the current and recent years (such as establishing an audit committee, improving information transparency, etc.).

1. The Company has established the "Rules of Procedure for Board of Directors Meetings" in accordance with the "Regulations Governing Procedure for Board of Directors' Meetings of Public Companies" for compliance and has entered the attendance of directors at board meetings on the Market Observation Post System and disclosed the resolutions of board meetings on the Company's website. In addition, the Company has taken out liability insurance for the directors.
2. On July 20, 2021, the Audit Committee was formally established, consisting of four independent directors, and the supervisor system was abolished. In order to strengthen the corporate governance function of the Board of Directors, the operations of the Board of Directors is supervised in accordance with the "Rules Governing the Duties and Responsibilities of Independent Directors."
3. The Company's proposals that should be submitted to the Audit Committee for approval before submission to the Board of Directors for resolution under the Company Act and the Securities and Exchange Act have been approved by the Audit Committee and submitted to the Board of Directors for resolution and execution.
4. On December 27, 2022, the Board of Directors approved the establishment of a corporate governance officer to assist directors in complying with regulations, conducting board meetings and shareholders' meetings in accordance with the law, and providing directors with information necessary for the execution of their business, in order to enhance the effectiveness of the Board of Directors.
5. In order to continuously improve the professional knowledge and legal literacy of directors and to assist the effective operation of the Board of Directors, the Company arranges annual training courses for directors in accordance with the law.
6. In order to properly respond to the relevant issues of concern to stakeholders and understand their reasonable expectations and needs, the Company has assigned various departments to be responsible for communication with stakeholders. The communication status with various stakeholders in 2024 has been reported to the board of directors on March 11, 2025.

## (II) State of operations of the Audit Committee or participation of supervisors in the operations of the Board of Directors

1. Operations of the Audit Committee:

In order to improve corporate governance and strengthen the professional functions of the Board of Directors, the Company established an Audit Committee after the re-election at the General shareholders' meeting in July 2021. The members of the Audit Committee are composed of all independent directors (four), and all members elect an independent director as the convener and chairman of the meeting.

The main purpose of the operation of the Committee is to supervise the following matters:

I. Proper presentation of the Company's financial statements.

II. Selection (dismissal) and evaluation of the independence and performance of the certifying CPA.

III. Effective implementation of the Company's internal control.

IV. The Company's compliance with relevant laws and regulations.

V. Control of the Company's existing or potential risks.

The Audit Committee shall hold a meeting at least once a quarter and discuss and vote on cases involving the following matters.

I. Establishing or amending the internal control system under the provision of Article 14-1 of the Securities and Exchange Act.

II. Assessing efficiency of the internal control system.

III. Formulating or amending the procedures for acquisition or disposal of assets, derivative transactions, lending of funds to others, or endorsements or guarantees in accordance with Article 36-1 of the Securities and Exchange Act for.

IV. Matters involving the director's personal interests.

V. Major transactions of assets or derivative products.

VI. Major extension of loans to others and endorsements/guarantees.

VII. Placement, issuance or private placement of any securities with an equity nature.

VIII. Appointment, dismissal or remuneration of certifying CPAs.

IX. Appointment and dismissal of finance, accounting, or internal audit managers.

X. Annual and semiannual financial reports.

XI. Oher material matter required by the Company or the competent authorities.

The Audit Committee held 6 meetings (A) in the most recent year and the attendance records of independent directors are as follows:

| Position | Name | Number of attendance in person (B) | Number of proxy attendance | Actual attendance rate (%) (B/A) | Notes |
|---|---|---|---|---|---|
| Independent director | Li-Rong Hong | 6 | 0 | 100% | |
| Independent director | Yean-Der Kuan | 6 | 0 | 100% | |
| Independent director | Wen-An Yang | 6 | 0 | 100% | |
| Independent director | Ming-Bing Chen | 6 | 0 | 100% | |

Other mandatory disclosures:

I. If the Audit Committee's operation has any of the following circumstances, state the date of the meeting, the session number, the contents of the motion, independent directors' objections or reservations or the contents of their major suggestions, the Audit Committee's resolution and the Company's response to the Audit Committee's opinion.

(I) Circumstances listed in Article 14-5 of the Securities and Exchange Act:

(II) Other than the aforementioned matters, matters not approved by the Audit Committee but approved by two-thirds or more of all the directors.

A summary list of Audit Committee agendas that comply with the above (I) and (II) is as follows:

<table>
<tr><th>Audit Committee</th><th>Proposal content and subsequent handling</th><th>Matters listed in Article 14-5 of the Securities and Exchange Act</th><th>Not passed by the Audit Committee, but approved by two-thirds or more of the directors of all the directors.</th></tr>
<tr><td rowspan="3">2024.05.07 The 15th Audit Committee Meeting of the 1st Session</td><td>The Company's consolidated financial statements for the Q1 of 2024.</td><td>V</td><td>No such situation</td></tr>
<tr><td colspan="3">The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above.</td></tr>
<tr><td colspan="3">The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed.</td></tr>
<tr><td>2024.08.06 The 1st Audit</td><td>The Company's consolidated financial statements for the Q2 of 2024.</td><td>V</td><td>No such situation</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | Committee Meeting of the 2nd Session | Approved the establishment of the "Sustainable Development Committee" and the adoption of the "Organizational Rules of the Sustainable Development Committee" of the Company. | V | No such situation |
| | | The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above. | | |
| | | The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed. | | |
| | 2024.11.06 The 2nd Audit Committee Meeting of the 2nd Session | The Company's consolidated financial statements for the Q3 of 2024. | V | No such situation |
| | | The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above. | | |
| | | The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed. | | |
| | 2024.12.24 The 3rd Audit Committee Meeting of the 2nd Session | The Company's internal audit plan for 2025. | V | No such situation |
| | | Amendments to certain provisions of the Company's "General Provisions of Internal Control System" and "Internal Audit Implementation Rules". | V | No such situation |
| | | Addition of the Company's "Sustainability Information Management Procedures" | V | No such situation |
| | | The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above. | | |
| | | The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed. | | |
| | 2025.03.11 The 4th Audit Committee Meeting of | The Company's 2024 Business Report and Financial Statements. | V | No such situation |
| | | The Company's 2024 Earnings Distribution Proposal. | V | No such situation |
| | | The Company's 2024 Internal Control System Effectiveness | V | No such situation |

| | | | | |
|---|---|---|---|---|
| | the 2nd Session | Assessment and Issuance of Internal Control System Statement. | | |
| | | Assessment of the Independence and Competence of the Certified Public Accountants for 2025. | V | No such situation |
| | | Appointment of the Company's Certified Public Accountants. | V | No such situation |
| | | Proposal for Direct Investment in Thailand to Expand Overseas Markets and Strengthen Group Growth Momentum. | V | No such situation |
| | | The result of the Audit Committee's resolution: All the members of the Audit Committee agreed to pass the cases above. | | |
| | | The Company's handling of the opinions of the Audit Committee: Not applicable as all members of the Audit Committee agreed. | | |

II. For the avoidance by independent directors due to conflicts of interests, state the independent director's name, contents of the motion, reasons for the avoidance due to conflicts of interests, and the status of participation in voting: No such situation.

III. Communication between the independent directors and the internal audit supervisor and the CPA (including the material matters, methods and results of the communication on the Company's financial and business status).

(1) Communication between the independent directors and the internal audit supervisor:

| Audit Committee | Matters communicated | Communication results |
|---|---|---|
| The 15th Meeting of the 1st Session (2024.05.07) | Report on the execution of auditing operations. | Known. No other suggestions. |
| The 1st Meeting of the 2nd Session (2024.08.06) | Report on the execution of auditing operations. | Known. No other suggestions. |
| The 2nd Meeting of the 2nd Session (2024.11.06) | Report on the execution of auditing operations. | Known. No other suggestions. |
| The 2nd Meeting of the 2nd Session | Report on the execution of auditing operations. | Known. No other suggestions. |
| | Submission and explanation of the 2025 | The proposal was |

| | | |
|---|---|---|
| (2024.12.24) | Internal Audit Plan. | approved by all the members present and was submitted to the Board of Directors for resolution. |
| | Report to the Independent Directors on the partial amendments to the Company's "General Provisions of Internal Control System" and "Internal Audit Implementation Rules." | The proposal was approved by all the members present and was submitted to the Board of Directors for resolution. |
| | Report to the Independent Directors on the addition of the Company's "Sustainability Information Management Procedures." | The proposal was approved by all the members present and was submitted to the Board of Directors for resolution. |
| The 4th Meeting of the 2nd Session (2025.03.11) | Report on the execution of auditing operations. | Known. No other suggestions. |
| | Provide an explanatory report to the independent directors on the assessment of the effectiveness of the Company's internal control system and the issuance of the statement of internal control system for 2024. | The proposal was approved by all the members present and was submitted to the Board of Directors for resolution. |

(2) Communication between the independent directors and the CPA:

| Forum | Matters communicated | Communication results |
|---|---|---|
| (2024.11.06) | Report to independent directors on the following items:<br>(1) Communication plan.<br>(2) The role and responsibilities of the lead CPA.<br>(3) Review plan.<br>(4) Independence of the CPA.<br>(5) Quality management system of CPA firm | Known. No other suggestions. |
| (2025.03.11) | Report to independent directors on the following items:<br>(1) Scope and significance of audit<br>(2) Audit report and key audit matters<br>(3) Other communication matters<br>(4) Independence of the CPA. | Known. No other suggestions. |
| | Reply to the Independent Directors regarding questions related to the accounting firm's computer-assisted audit programs. | Known. No other suggestions. |

## (III) The operation status of corporate governance, differences from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons.

| Assess criteria | Implementation Status | | | Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Does the Company follow the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its corporate governance practices? | V | | The Company's "Corporate Governance Best Practice Principles" was discussed and approved at the 21st Board of Directors' Meeting of the 11the Session (April 16, 2015), and was amended and approved by the Board of Directors for the fifth time on August 8, 2023. Information about the "Corporate Governance Best Practice Principles" and related important rules and regulations or their operation is available on the Company's website or on the Market Observation Post System. | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |
| II. Shareholding structure and shareholders' equity<br>(I) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?<br><br>(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have | <br>V<br><br><br><br><br><br><br><br>V | | <br>(I) The Company has a spokesman, a deputy spokesman and stock affairs staff to properly handle shareholder suggestions, doubts, disputes, litigation and other related issues.<br><br>(II) The Company regularly reviews the list of the major shareholders who actually control the Company and those who ultimately control the major shareholders. | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |

| | | | | |
|---|---|---|---|---|
| control over the major shareholders?<br><br>(III) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?<br><br>(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market? | | | (III) In accordance with the "Supervision and Management of Subsidiaries", "Management of Transactions of Related Persons" and "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties" the Company has clearly defined the rights and responsibilities of personnel, assets and financial management among the affiliated enterprises and regularly audits the accounting and internal control systems of affiliated enterprises and has established appropriate risk control and firewall mechanisms.<br><br>(IV) The Company established the "Corporate Governance Best Practice Principles" in 2015, which was amended for the fifth time at the 13th Board of Directors' Meeting of the 14th Session (August 8, 2023) and which took effect. Article 10 stipulates: "The Company shall establish internal regulations to prohibit insiders from trading securities using non-public privileged information" and "Directors (including independent directors) of the Company shall not trade their shares during the closed-book period of 30 days prior to the announcement of the annual financial report and 15 days prior to the announcement of the quarterly financial report. "In addition, the Company's internal regulations, such as the "Procedures for Handling Material Internal Information" and the "Procedures and Conduct Guidelines for Integrity Management," contain explicit provisions prohibiting insiders from trading marketable securities using undisclosed information in the market. | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |
| III. Composition and responsibilities of the Board of Directors<br>(I) Has the Board of Directors formulated diversification | <br><br>V | | <br><br>(I) The Company implements a policy of diversity of Board of Directors members, and the "Corporate Governance Best | |

| | | | | |
|---|---|---|---|---|
| policies and specific management objectives and implemented them? | | | Practice Principles" governs the policy of diversity of Board of Directors members, including but not limited to the following two major criteria:<br>(1) Basic conditions and values: gender, age, nationality, race and culture, etc.;<br>(2) Professional knowledge and skills: professional background (*e.g.,* law, accounting, industry, finance, marketing or technology), professional skills and industry experience.<br>Management Objectives: directors and independent directors shall not serve as directors of more than five listed companies at the same time; the number of independent directors on the board of directors shall exceed one-third of the board of directors and independent directors shall serve no more than three consecutive terms; the number of directors who are also managerial officers of the Company shall not exceed one-third of the members of the Board of Directors. More than half of the directors shall not be related to each other as spouses or relatives within the second degree of kinship.<br>Implementation: The 15th Board of Directors of the Company consists of 9 members (including 4 Independent Directors), all of whom possess diverse and complementary industry experience as well as expertise in finance and accounting. Among the current Board members, 3 have professional backgrounds in finance and accounting, 5 have practical experience in the refrigeration and air-conditioning industry, and 1 is an academic with specialization in refrigeration and air-conditioning. The Company emphasizes three core competencies — business judgment, management capabilities, and crisis management abilities — and more than two-thirds of the members possess these core competencies, fully achieving the goal of board diversity. In addition, the current Board includes 2 female Directors (accounting for 22%), 4 Independent Directors (accounting for 44%, among whom 3 have served for 2 terms and 1 has served for 3 terms), and 1 Corporate Director (accounting for 11%). Furthermore, only two Board members are spouses, and there are no other familial | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |

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| | | | relationships within the second degree among the members. The Board members actively participate in meetings, with the attendance rate for the 15th term in 2024 reaching 93%, ensuring effective supervision and understanding of the execution of the Company's operational plans. | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |
| (II) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company set up other functional committees? | V | | (II) The Company has established a Compensation Committee and an Audit Committee in accordance with the law, and the establishment of a Sustainability Development Committee was discussed and approved at the 15th Board of Directors' 2nd meeting on August 6, 2024. | |
| (III) Does the Company establish a methodology for evaluating the performance of its board of directors, implemented it on an annual basis, and submit the evaluation result to the Board of Directors and use it as a reference for individual director's remuneration and nomination for reappointment? | V | | (III) In order to implement corporate governance and improve the functions of the Board of Directors of the Company, and establish performance objectives to enhance the operational efficiency of the Board of Directors, the Company has formulated the "Performance Evaluation Measures of the Board of Directors". The measurement items for the overall performance evaluation of the Board of Directors include the following five aspects:<br>I. Degree of participation in company operation.<br>II. Improvement of the quality of the decision making of the Board of Directors.<br>III. Composition and structure of the Board of Directors.<br>IV. Election and continuing education of the directors.<br>V. Internal control.<br>The measurement items for the performance evaluation of the board members include at least the following six aspects:<br>I. Awareness of the Company's goals and mission.<br>II. Awareness of directors' duties and responsibilities.<br>III. Degree of participation in company operation.<br>IV. Management of internal relationship and communication.<br>V. Expertise of directors and continuing study.<br>VI. Internal control.<br>The measurement items of the performance evaluation of the functional committee include the following five aspects: | |

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| | | | I. Participation in the Company's operations.<br>II. Awareness of the duties of the functional committee.<br>III. Improvement of quality of decisions by the functional committee.<br>IV. Composition and election of the functional committee.<br>V. Internal control.<br>The self-evaluation method is adopted for the Board of Directors of the Company, which is implemented once a year. The evaluation methods include the internal performance evaluation of the board of directors, the performance evaluation of the directors, and the performance evaluation of the functional committee. In 2024, the board of directors operates with good efficiency, each functional committee performs its functions effectively, and the evaluation results perform well. The above performance evaluation report of the Board of Directors has been submitted to the 5th meeting of the 15th Board of Directors (2025.3.11) and is used as a reference for the salary, remuneration, nomination and renewal of each directors; the content was also posted on the Company's website. | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |
| (IV) Does the Company regularly evaluate the CPAs' independence? | V | | (IV) The Company's places emphasis on the attesting accounting firm's Audit Quality Indicators (AQIs) and Corporate Governance Indicators for 2024. The Company confirmed that the independence and suitability of the attesting CPAs conformed to the relevant provisions through the following evaluation procedures every year and submitted the evaluation results to the Audit Committee on March 11, 2025, which was approved by the Board of Directors.<br>1. Obtain the independent statement of the CPA;<br>2. Review the limit on the number of consecutive years for the service of the same CPA's certification;<br>3. Summarize the evaluation results through the competency questionnaire, and the evaluation items are:<br>■ Has the certifying CPA serves as a director of the Company or its affiliated enterprises? | |

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| | | | ■ Is the certifying CPA a shareholder of the Company or its affiliated enterprises?<br>■ Does the certifying CPA receive a salary payment from the Company or its affiliated enterprises?<br>■ Has the certifying CPA confirmed that his/her affiliated accounting firm has followed the relevant independence standards?<br>■ Has any of the CPAs of the accounting firm to which the certifying CPA belongs served as a director or manager of the Company or a position that has a significant impact on the audit case within one year after resignation?<br>■ Has the certifying CPA provided audit services for the Company for seven consecutive years?<br>■ Does the certifying CPA meet the requirements of independence in the Statement of Professional Ethics for Accountants No. 10? | |
| IV. Has the TWSE/TPEX listed company allocated an adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, the convention of Board of Directors and shareholder meetings, and preparation of board/shareholder meeting minutes)? | V | | The Company established the Corporate Governance Task Force on December 27, 2016 at the 11th meeting of the 12th Session of the Board of Directors to be responsible for corporate governance-related matters, and resolved at the 10th meeting of the 14th Session of the Board of Directors (December 27, 2022) to approve Ms. Li-Ling Su, Associate Manager, as the head of corporate governance of the Company. Ms. Li-Ling Su has more than three years of experience in legal compliance and financial management in public companies, and her main duties are to supervise the operation of corporate governance, including:<br>1. Handle matters related to board of directors and shareholders' meetings in accordance with the regulation.<br>2. Prepare minutes of board of directors and shareholders meetings.<br>3. Assist directors in their appointment and continuing education.<br>4. Provide directors with the information they need to carry out their business.<br>5. Assist directors to comply with laws and regulations.<br>6. Report to the board of directors the results of its review of whether independent directors comply with relevant laws and | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |

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| | | | regulations at the time of nomination, election and during their term of office.<br>7. Handle matters related to director changes.<br>8. Other matters stipulated in the company's articles of association or contract, etc. | |
| V. Does the Company establish a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' concerns on corporate social responsibilities? | V | | The Company has set up spokespersons and acting spokespersons to handle relevant matters, and has set up a stakeholder area on the company's website (Kuenling Website\Corporate Social Responsibility\Stakeholder Area), and lists the names and names of the persons in charge of each business communication channel. Contact information to facilitate the connection of various businesses and smooth communication with stakeholders. | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |
| VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs? | V | | The Company entrusts the Stock Affairs Agency Department of Yuanta Securities Co., Ltd. to handle matters related to the shareholders' meeting. Stock Agent: Stock Agent Department of Yuanta Securities Co., Ltd. (Tel: 886-2-2586-5859, Address: B1., No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)<br>) | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |
| VII. Information disclosure<br>(I) Has the Company set up a website to disclose finance and business matters and corporate governance information?<br><br>(II) Does the Company use other information disclosure channels (e.g. setting up an English-language website, designating staff to handle information collection and | <br>V<br><br><br><br><br>V | | <br>(I) Our company has set up a website to disclose information on financial operations and corporate governance. The URL for the Company's website is www.kuenling.com.tw."<br><br>(II) The Company has dedicated personnel to report various public information to the "MOPS" regularly and irregularly in accordance with regulations, and has set up spokespersons and acting spokespersons. In addition, the Company website also has a special area for earning calls. | <br>In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |

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| disclosure, implementing the spokesman system, webcasting briefings to corporate investors, etc.)?<br><br>(III) Does the Company publish and make the official filing of the annual financial report within two months after the end of each accounting period, and announce and file Q1, Q2 and, Q3 financial reports along with monthly business performance before the designated due dates? | | <br><br><br><br><br>V | <br><br><br><br><br>(III) The Company announces and files its annual financial report, quarterly financial report and monthly operating conditions in compliance with relevant regulations:<br>1. After the end of each fiscal year, the Company announces and files the annual financial report information within three months before the deadline. The annual financial report for 2024 was uploaded on March 15, 2025.<br>2. After the end of the first quarter, the second quarter and the third quarter of each year, the Company announces and files the financial report information within 45 days before the deadline.<br>3. The Company announces and files the operation of the previous month before the 10th of each month. | Minor difference with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, but still complies with the provisions of the Securities and Exchange Act. |
| VIII. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)? | V | | 1. Employee Benefits: In addition to providing labor insurance, health insurance, and retirement plans, the Company offers group insurance, regular health checks, various education and training programs, and maintains channels for employee grievances to safeguard employee rights.<br>2. Employee Care: Apart from offering year-end bonuses and employee dividends, the Company has established a workers' welfare committee to promote various welfare measures and activities.<br>3. Investor Relations: All relevant operational information of the Company is reported to the MOPS or posted on the Company's website. Additionally, a section dedicated to investor relations is set up on the Company's website, including contact information for spokespersons, stock agents, etc., to establish communication channels with investors.<br>4. Supplier Relations: Quarterly evaluations are conducted on suppliers to ensure that the quality, price, and delivery terms of the supplies meet the Company's requirements, thereby | In compliance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies. |

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| | | | establishing a cooperative relationship.<br>5. Rights of Stakeholders: The Company has a dedicated investor service area on its website to disclose operational information and address investor queries. Contact information for spokespersons, stock agents, etc., is provided for direct communication. The company also has an audit reporting mailbox to encourage employees to report illegal or irregular activities.<br>6. Directors' Continuing Education: The Company periodically provides information on various training courses for directors, and information on director participation in courses is reported on the MOPS.<br>7. Implementation of Risk Management Policies and Risk Measurement Standards: The Company's risk management is divided into three levels: the first involves operational units and staff responsible for initial risk detection, evaluation, and control. The second level is led by the general manager or chairman of the board, responsible for feasibility assessments and various risk assessments. The third level involves review by the audit department and deliberation by the board of directors. Audit personnel have completed various audit tasks for the fiscal year 2024, and the audit results show effective internal control design and implementation, with all environmental indicators controlled at low risk levels.<br>8. Implementation of Customer Policies: Apart from proactively contacting customers through business departments, the company clearly introduces product specifications and related information on its website, and establishes contact phone numbers for various service outlets to maintain smooth communication channels with customers.<br>9. Purchase of Liability Insurance for Directors and Supervisors: Since the fiscal year 2016, the Company has purchased liability insurance for directors and supervisors annually. | |
| IX. Please explain what has been improved on the results of the corporate governance evaluation issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and the proposals of priority enhancements and measures for those that have not yet improved. The improvement of the Company’s corporate governance evaluation results released in the most recent year | | | | |

2024 is described as follows: The Company conducted a self-assessment of corporate governance in 2024, and the evaluation results were [21%-35%] in the [TPEx-Listed Company Group]. Our company upholds a spirit of continuous improvement and will persist in advancing all aspects of corporate governance. We will regularly convene meetings with relevant departments to actively explore and implement improvement measures. Moving forward, we will place particular emphasis on enhancing the completeness and transparency of information disclosure, establishing more effective communication mechanisms, and optimizing evaluation indicators to strive for higher standards of governance quality.

## (IV) Composition, responsibilities and operation of the Remuneration Committee

I. Information of Compensation Committee members

### (1) Information of Compensation Committee Members

March 31, 2024

| Identity type | Criteria / Name | Professional qualifications and experience | Independence status | Number of positions as Compensation Committee member in other public companies |
|---|---|---|---|---|
| Independent director (Convener) | Li-Rong Hong | Please refer to page 13 for the relevant content of Directors' Information (1) | Please refer to page 13 for the relevant content of Directors' Information (1) | 1 |
| Independent director | Yean-Der Kuan | | | 0 |
| Independent director | Wen-An Yang | | | 2 |
| Independent director | Ming-Bing Chen | | | 0 |

II. Information on the operation status of the Compensation Committee

(I) There are 4 members on the Compensation Committee of the Company.

(II) Term of office of the current members: From May 28, 2024 to May 27, 2027. In the most recent year, the Compensation Committee held 2 meetings (A) and the qualifications and attendance status of the members are as follows:

| Position | Name | Number of attendance in person (B) | Number of proxy attendance | Actual attendance rate (%) (B/A) (Note) | Notes |
|---|---|---|---|---|---|
| (convener) | Li-Rong Hong | 2 | 0 | 100% | Re-elected on May 28, 2024 |
| Member | Yean-Der Kuan | 2 | 0 | 100% | Re-elected on May 28, 2024 |
| Member | Wen-An Yang | 2 | 0 | 100% | Re-elected on May 28, 2024 |
| Member | Ming-Bing Chen | 2 | 0 | 100% | Re-elected on May 28, 2024 |

Other mandatory disclosures:

I. If the Board of Directors does not adopt or amend the suggestion of the Compensation Committee, state the date, session number, content of the motion, resolution of the Board of Directors and the Company's handling of the opinions of the Compensation Committee (if the remuneration passed by the Board of Directors is superior to the suggestion of the Compensation Committee, state the difference and the reason): None

II. For the resolutions of the Compensation Committee, if any member has an objection or reservation with the record or written statement in place, state the date of the Compensation Committee meeting, the session number, the contents of the motion, the opinions of all members and the handling of member opinions:

| Compensation Committee | Date of meeting | Proposal content and subsequent handling | Results of Resolutions | The Company's handling of the opinions of the Compensation Committee |
|---|---|---|---|---|
| 1st meeting of the 6th Session | 2024.12.24 | 1. 2024 year-end bonus distribution principle and intended distribution plan for managerial officers.<br>2. Proposal for the Adjustment of Managers' Compensation in 2025.<br>3. Reviewed the Company's policies, systems, standards and structures for evaluating the performance and remuneration of directors and managers for 2025. | All members of the committee agreed to pass. | Submitted to the Board of Directors on December 24, 2024 and approved by resolution. |
| 2nd meeting of the 6th Session | 2025.03.11 | 1. Approved the compensation to employees and remuneration to directors and supervisors for 2024.<br>2. 2024 Summary report of self-assessment of the Board of Directors and functional committees. | All members of the committee agreed to pass. | Submitted to the Board of Directors on March 11 2025 and approved by resolution. |

III. The Committee shall faithfully perform the following functions and powers with the attention of a good manager, and submit its suggestions to the Board of Directors for discussion:

1. Formulate and regularly review the policies, systems, standards and structures for the performance evaluation and remuneration of directors and managers.
2. Periodically evaluate and determine the salaries of directors and managers.
3. When performing the functions and powers in the preceding paragraph, the Committee shall follow the principles below:

(1) For the performance evaluation and salary of directors and managers, reference shall be made to the normal level of payment in the industry, while considering the connection with personal performance, company operating performance and future risks and the rationality.

(2) Directors and managers should not be led to engage in any behavior that exceeds the Company's risk appetite for the pursuit of higher salaries.

(3) The proportion of dividends paid for the short-term performance of directors and senior managers and the timing of payment of variable salaries should be determined after considering industry characteristics and the nature of the Company's business.

The salary and compensation referred to in the two preceding paragraphs include employee remuneration, pension, severance pay, various allowances and other measures with substantial rewards.

## Information on the Members and Operation of the Sustainability Development Committee

To achieve the Company's sustainable development goals and strengthen sustainability governance, the Company resolved at the 15th Board of Directors' 2nd meeting (August 6, 2024) to establish the Sustainability Development Committee. The Committee is composed of three Directors, two of whom are Independent Directors with professional backgrounds in HVAC (Heating, Ventilation, and Air Conditioning) and financial accounting. The third member is a Director who emphasizes labor rights and has practical experience in management. The composition of the Committee meets the professional expertise requirements for sustainable development.

The operation of the Sustainability Development Committee follows the Company's Sustainability Development Committee Charter and convenes at least once a year. The Committee's responsibilities include:

1. Formulating, promoting, and strengthening the Company's sustainability policies, annual plans, and strategies.
2. Reviewing, tracking, and revising the execution and effectiveness of sustainability initiatives.
3. Supervising sustainability disclosures and reviewing the sustainability report.
4. Overseeing the execution of the Company's sustainability code of conduct and other sustainability-related tasks as resolved by the Board of Directors.

In 2024, the Sustainability Development Committee held one meeting. The operation details are as follows:

| Position | Name | Number of attendance in person (B) | Number of proxy attendance | Actual attendance rate (%) | Position |
|---|---|---|---|---|---|
| Chairman (Convener) | Chung-Kuo Tseng | 1 | 0 | 100% | New appointment on August 6, 2024. |
| Independent director | Li-Rong Hong | 1 | 0 | 100% | New appointment on August 6, 2024. |
| Independent director | Yean-Der Kuan | 1 | 0 | 100% | New appointment on August 6, 2024. |

Other Matters to be Disclosed:

1. If the Board of Directors does not adopt or amends the recommendations of the Sustainability Development Committee, the Company shall disclose the date, meeting session, agenda content, Board resolution result, and how the Company handled the Committee's opinions: None.
2. If there are dissenting or qualified opinions from the members on the resolutions of the Sustainability Development Committee, which are recorded or provided in writing, the Company shall disclose the date, meeting session, agenda content, all members' opinions, and how the Company handled these opinions: None.

Summary of Major Resolutions of the Sustainability Development Committee in 2024:

| Sustainability Development Committee | Meeting Date | Matters | Results |
|---|---|---|---|
| 1st meeting of the 1st Session | 2024.12.24 | 1. Report on 2024 Sustainability Implementation Results and Future Goals | Known |
| | | 2. Report on Greenhouse Gas Inventory Progress and Planning | Known |
| | | 3. Report on 2024 Sustainability Report Progress and Planning | Known |

## (V) Implementation of sustainable development, differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reasons

| Promotion items | Status of implementation | | | Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (or one holding concurrent positions) unit to promote sustainable development, with the Board of Directors authorizing the senior management to manage the organization which is supervised by the Board of Directors? | **V** | | The Company established the "Sustainable Development Committee" with the approval of the Board of Directors on August 6, 2024, to promote various sustainable development initiatives. The Committee shall convene at least once a year, and its authorities are as follows:<br>1. Formulating, promoting, and strengthening the Company's sustainability policies, annual plans, and strategies.<br>2. Reviewing, tracking, and revising the execution and effectiveness of sustainability initiatives.<br>3. Supervising sustainability disclosures and reviewing the sustainability report.<br>4. Overseeing the execution of the Company’s sustainability code of conduct and other sustainability-related tasks as resolved by the Board of Directors.<br>To effectively implement various sustainable development initiatives, the Committee has established five working groups: the "Corporate Governance Team," "Environmental Sustainability Team," "Employee Care and Social Welfare Team," "Product Management Team," and "Customer Relations Team," composed of cross-departmental members concurrently serving. Each group is responsible for the operation, promotion, and execution of matters related to its field as well as the implementation of the Committee’s resolutions. The Committee reported the execution status for 2024 and the plans for the following year to the Board of Directors on December 24, 2024. | No material difference. |

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| II. Has the Company conducted a risk assessment on environmental, social, and corporate governance issues that are relevant to its operations and implemented risk management policies or strategies based on principles of materiality? | V | | (1) Environmental protection<br>The Company is a central system ice-water unit manufacturer, and its products are mainly ice-water units and condensing units. As global citizen, the Company deeply understands the importance of environmental sustainability. Through the introduction of environmental management systems, it minimizes the risk of environmental violations, promotes long-term resource recycling plans, implements personnel education and training, strengthens environmental awareness, and improves The efficiency of use of various resources.<br>Relevant production operations are operated according to the ISO 14001:2015 International Environmental Management System Certification and internal meetings are held regularly to review the implementation effectiveness. The industrial safety promotion team implements and promotes environmental policies, establishes detailed documentation, actively practices environmental protection actions and conducts related monitoring and management operations. In addition, "Hazard Identification and Risk Assessment Management Procedure" is established to analyze, review, and improve environmental impact factors, fulfilling corporate social responsibilities.<br>(2) Product Liability:<br>The Company has obtained the following certifications to ensure that its products comply with regulatory standards:<br>1.ISO 9001:2015 International Quality Management System Certification.<br>2. ISO 14001:2015 International Environmental Management System Certification.<br>3. AHRI Product Quality Certification<br>4. Energy Label from the Ministry of Economic Affairs for Ice Water Machine Units.<br>5.Mechanical Safety Certification from the China United Certification Center.<br>6. CRAA Certification from China CRAA.<br>7. Manufacture License of Special Equipment People's Republic of | No material difference. |

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| | | | China- Pressure Vessels<br>(3) Corporate Governance:<br>1.Regulatory Compliance:<br>The Company adheres to regulations such as product standards, fair trade act, international trade laws, import and export laws, environmental regulations, and labor laws. Internal education and training programs are conducted to promote awareness and compliance with these regulations.<br>2.Strengthening Director Functions:<br>The Company plans relevant training topics for directors and provides them with updates on the latest laws, system developments, and policies. Directors are also covered by director liability insurance to protect them in cases of litigation or claims.<br>3.Stakeholder Communication:<br>The Company analyzes important stakeholders and their concerns, establishing various communication channels to actively engage and reduce conflicts and misunderstandings. An investor mailbox is set up, managed by a spokesperson responsible for responding to inquiries.<br>The communication with various stakeholders in 2024 was reported to the Board of Directors on March 11, 2025. | |
| III. Environmental issues<br>(I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry? | V | | (I) A In addition to complying with environmental regulations set by the competent authorities, the Company has obtained ISO 14001 Environmental Management System certification, valid from October 2, 2023 to October 2, 2026. The Company's environmental policy is as follows:<br>Compliance with environmental and safety regulations, active participation of all employees, risk prevention and improvement.<br>The Company controls and manages significant environmental impacts identified throughout its business activities (including production, sales, product usage, and the entire product life cycle after disposal), seeks to improve pollution sources, and strives to reduce environmental impact while enhancing environmental performance. | No material difference. |

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| (II) Is the Company committed to achieving efficient use of resources and does it use recycled materials with less impact on the environment? | V | | (II) The Company promotes the reduction of power consumption by turning off the power when not used. The Company has also promoted the use of paperless workflow and electronic sign-off processes to limit the amount of paper used, an intelligent warehousing system was introduced in 2023 and has reviewed existing equipment and formulated a replacement plan for energy-saving equipment in order to moving towards the goal of low-carbon green production and reduce the impact on the environment. The production process of our products mostly involves assembly, so there are no pollution and waste that may cause environmental impact.<br>For more information, please visit Company's official website | No material difference. |
| (III) Does the Company evaluate its potential risks and opportunities due to climate change now and in the future, and take corresponding measures to respond to climate related issues? | V | | (III) The Company pays close attention to the issue of climate change and keeps abreast of the trends in relevant domestic and foreign regulations. The goal of achieving net-zero emissions by 2050 has been set as the long-term development goal to ensure the sustainable development of the Company's operations and the environment.<br>In order to identify the risks and opportunities brought about by climate change, the following climate change risk response plan is also formulated: | |

| Climate Risk | Climate Opportunities | Countermeasures |
|---|---|---|
| Unstable supply of hydropower, impact on production and increase in operating costs | Improve water resource efficiency to reduce the impact of disasters on production | Reduce annual *per capita* water consumption by 12L/person, adjust water consumption and install water saving devices and strengthen management and timely inspection. |
| Typhoons, floods, and droughts affect production, resulting in financial losses and decreased revenue. | Enhance natural disaster response capabilities, strengthen climate | Establish a comprehensive water monitoring mechanism to ensure that production is not affected by water shortages or outages. |

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<tr><td></td><td>resilience and reduce the chance of operating disruption and possible losses.</td><td>Emergency response training been exercise to reduce disaster losses</td></tr>
<tr><td>Rising temperature increases electricity consumption and increases costs and carbon emissions.</td><td>Promote low-carbon green production, save electricity and costs.</td><td>Setting energy-saving electricity consumption, the target of reducing electricity consumption by 7KWH/year per NT$10,000 of output value been placed. Encourage the lights go out when people leave; the equipment stays off when not used.</td></tr>
<tr><td>Greenhouse gas emissions, carbon reduction equipment settings.</td><td>Promote energy saving efficiency, recycle and re-use, save cost.</td><td>Maximize paperless processes; print unimportant documents with recycled paper if necessary.</td></tr>
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<td>(IV) Did the Company prepare statistics on its greenhouse gas emissions, water consumption and the total weight of waste for the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?</td>
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<td>V</td>
<td>(IV) Although the Company has not yet formulated a greenhouse gas reduction strategy, it has regularly reported corporate environmental, social and corporate governance (ESG) information disclosure requirements in accordance with the information reporting regulations of the Taipei Exchange, and has implemented a series of measures to reduce the impact on the environment and move towards the goal of sustainable development.<br><br>In terms of energy utilization, the Company focuses on monitoring electricity and water usage, with a special focus on electricity</td>
<td>There are some differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, but it does comply</td>
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| | | | usage. Although a series of water and energy conservation measures have been implemented, water consumption has not decreased significantly in the past two years. However, efforts continue to be made to keep water consumption stable and avoid increasing it.<br><br>In addition, the Company's waste management policy only involves the discharge of general waste and does not involve the discharge of hazardous waste. It represents the Company's high concern and sense of responsibility for the environment and ensures that the negative impact on the environment is minimized during the production process.<br><br>In terms of energy indirect emissions, the Company's Taiwan headquarters consumed 1,620,900 kWh of electricity in 2024, corresponding to 801 tons of CO2 emissions. Although the Company's revenue reached a record high in 2024, effective management kept CO2 emissions almost the same as in 2023 (798 tons). Nevertheless, the Company recognizes the need for continued efforts to reduce indirect emissions to achieve better environmental performance. Moving forward, the Company will formulate greenhouse gas reduction strategies based on existing data to further strengthen its response to climate change and remain committed to promoting environmental sustainability.<br><br>The Company's process water demand is relatively low, and its main use is domestic water. Although there has been no significant reduction in water consumption over the past two years, the Company has worked hard to keep water consumption stable and avoid increasing it. | with the Taipei Exchange Rules Governing Information Reporting by Companies with TPEx Listed Securities.. |
| IV. Social issues<br>(I) Has the Company formulated relevant management policies and procedures according to relevant laws and regulations and the international covenants of human rights? | V | | (I) The Company recognizes and voluntarily complies with internationally recognized human rights standards such as the United Nations Universal Declaration of Human Rights, the United Nations International Labor Organization, the United Nations Global Compact and the United Nations Guiding | No material difference. |

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| | | | Principles on Business and Human Rights.<br>In accordance with the Labor Standards Act, the Act of Gender Equality in Employment, the Regulations for Implementing Unpaid Parental Leave for Raising Children, the Labor Pension Act and other relevant laws and regulations, the Company provides employees with various legal rights and interests, and has formulated management regulations which are approved by the Labor Bureau of Kaohsiung Municipal Government for employees to follow. | |
| (II) Has the Company established and implemented reasonable employee benefit measures (including remuneration, leaves and other benefits) and adequately reflected the operating performance or result to the employee remuneration? | V | | (II) The Company has established various employee salary and welfare measures (including quarterly bonuses, birthday gifts, special leave and parental leave) in accordance with the law. The Company has also established an Employee Welfare Committee, an Employee Stock Option Trust and organizes incentive trips, group recreational activities and employee health checkups from time to time each year to safeguard the physical and mental health of employees. Please refer to page 122-126 for detailed employee welfare benefit policy descriptions.<br><br>The Company's year-end bonus system is based on the year-end bonus payment method and the EPS value of the current year as the basis for calculating the basic year-end bonus days, which are distributed to all employees after duly considering their seniority and annual performance evaluation to motivate all employees to jointly work together for the Company's established goals.<br><br>Article 20-1 of the Company's Articles of Incorporation:<br>The Company shall distribute employees' remuneration at a rate of 3% to 7%, and directors' remuneration at a rate of no more than 3% based on the profit of the current year. However, the cumulative loss, if any, shall be offset first. Employees' remuneration may be paid in stock or cash, and may be paid to employees of affiliated companies who meet certain conditions. | No material difference. |
| (III) Has the Company provided a safe and healthy working environment for | V | | (III) 1. Occupational Safety and Health System, after certification by the relevant verification bodies, our company has passed the | |

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| employees, and regularly implemented safety and health training for employees? | | | following standards: ISO 45001 and CNS 45001. The validity period is from October 10, 2023 to October 10, 2026.<br>2. Safe and Healthy Work Environment, the Company provides employees with a comfortable, safe, and healthy working environment, which includes access control measures, regular safety inspections of the work environment, periodic occupational safety training, a smoke-free indoor policy, and the establishment of an employee recreation room.<br>3. Employee Physical and Mental Health, the Company offers free health check-ups for all employees every two years. For employees engaged in special hazardous operations, results are managed through a graded management system with regular follow-ups, health education, and medical assistance. On-site physicians provide six sessions of on-site services each year, with each session lasting three hours.The company also irregularly organizes health education seminars and improvement programs, such as colorectal cancer prevention campaigns, assessments for unlawful acts against maternity, pregnancy workplace hazard evaluations, occupational unlawful act hazard identification and risk assessments, heat exhaustion and heatstroke awareness campaigns, and stalking prevention law awareness programs.<br>4. Office Safety Measures, details of office safety measures are as follows:<br>• Controlled access to restricted areas to prevent unauthorized entry.<br>• Monthly maintenance and inspection of elevator equipment.<br>• Quarterly maintenance and inspection of fixed cranes and high-voltage equipment.<br>• Quarterly E. coli testing of drinking water dispensers.<br>• Quarterly inspections of firefighting equipment and facilities (e.g., fire extinguishers, emergency lights, smoke detectors, fire alarm broadcast systems, and detectors).<br>• Semi-annual workplace environmental monitoring by | |

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| | | | accredited inspection agencies (including chemical factors: toluene, xylene, ethyl acetate, butyl acetate, dichloromethane, manganese, nickel, total dust (metal fumes), oil mist, carbon dioxide, etc., and physical factors: noise, wind speed, illumination).<br>• Semi-annual emergency evacuation drills.<br>• Tri-annual fire safety inspections and declarations for building evacuation facilities and equipment.<br>Occupational Safety Performance<br>The Company has an annual occupational safety audit plan. Audit reports are randomly checked each month by the Safety Department, and recommended improvements are recorded on the internal network for departments to reference and improve upon.<br>In 2024, there were zero disabling injuries among contractors, and the Total Injury Index was 2.5.<br>There were no major occupational safety accidents in 2024. There were two cases of temporary disabling injuries, resulting in 902.5 lost work hours.<br>In 2024, the Kaohsiung City Labor Inspection Office imposed fines totaling NT$210,000 on the Company for violations.<br>Further information can be found on the Company's official website. | |
| (IV) Has the Company established effective career development training plans for employees? | V | | (IV) The Company regularly conducts personnel capability check and professional and general training for employees in order for operation and future development planning. (Please refer to Page 120 of the report) | |
| (V) Regarding product and service issues such as customer health and safety, customer privacy, and marketing and labelling, does the Company follow relevant regulations and international standards, and has it formulated relevant consumer or customer rights protection policies and grievance procedures? | V | | (V) 1. The Company complies with relevant laws and regulations and international standards, and produces standardized products that conform to the area of marketing and bear the trademark that meets relevant certification.<br>2. The Company adopts process orientation in all processes according to the ISO 9001 system; From pre-sale and in-sale management to after-sales service, the process is customer demand-oriented and a circular system is formed through | |

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| (VI) Has the Company formulated a vendor management policy that requires vendors to comply with relevant regulations on environmental protection, occupational safety and health or labor human rights issues? What is the implementation status? | V | | customer feedback to achieve a complete customer service system. The Company also has specially-assigned personnel and e-mail to handle issues related to complaints about consumer rights and interests:<br>e-mail:klmain@kuenling.com.tw<br>(VI) In accordance with the ISO 9001 management system, the Company shall conduct supplier evaluation before dealing with suppliers and conduct outstanding supplier evaluation every year and list the suppliers to be improved as the basis of evaluation for subsequent transactions. The Company shall also form long-term understanding and communication with suppliers in environmental protection, safety and health issues, to encourage them to improve environmental protection, safety and health performance, in order to carry out the Company's corporate social responsibility | |
| V. Does the Company prepare a sustainability report or any other report for disclosure of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by the assurance or opinion of a third-party certifier? | | V | The Company plans to publish the Chinese version of the 2024 Sustainability Report (for the year 2023) in August 2025, which will be disclosed on the Company's official website and uploaded to the Market Observation Post System (MOPS).<br>However, relevant and reliable corporate social responsibility information has already been disclosed in the Company's annual report and on the Company's official website. | No difference |
| VI. If the Company has formulated in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies," please describe the differences of the operations between them:<br>On May 7, 2024, the Board of Directors of the Company approved the adoption of the "Sustainable Development Best Practice Principles" to strengthen the implementation of corporate social responsibility. The Company regularly reviews its practices in accordance with the Principles and makes improvements as needed. To date, there have been no discrepancies in its implementation. | | | | |
| VII. Other important information helpful to understand the promotion of sustainable development:<br>1. All of the Company's waste is transported and processed by legally authorized contractors in compliance with environmental regulations.<br>2. The Company has adopted the government's electronic document exchange system, making document receipt and dispatch more efficient, reducing paper usage and postage costs, and reusing the blank sides of discarded documents to significantly reduce paper consumption.<br>3. The Company's disclosures on the Market Observation Post System are handled by designated personnel responsible for collecting and disclosing corporate information to ensure that information potentially affecting shareholder and stakeholder decisions is disclosed promptly and appropriately.<br>4. Community participation: The Company engages with the surrounding community, actively gives back to society and participates in community activities, such a s scholarships for adjacent elementary schools, local public offices and local assembly activities, so as to | | | | |

perform its social responsibilities well.

5. Social welfare:
   - 5.1 Actively participate every year in the “Love Library” donation program to enhance the quality of books in county and city libraries and accompany children through wonderful reading moments.
   - 5.2 Provide scholarships (including scholarships for underprivileged students) to students annually. Partner schools include: National Chung Cheng Industrial High School, Kaohsiung Industrial High School, Miaoli Agricultural and Industrial Vocational High School, Chiayi Industrial Vocational High School, Chong Shih Industrial High School, and National Cheng Kung University Tainan Campus.
   - 5.3 Donate to the Department of Energy and Refrigeration and Air Conditioning Engineering at National Kaohsiung University of Science and Technology, providing equipment and installation for the construction of a refrigeration and air conditioning engineering laboratory.
   - 5.4 Conduct industry-academia collaboration programs with National Chin-Yi University of Technology and Kaohsiung Municipal Kao Yuan Vocational High School to enhance students' future workplace competitiveness.
   - 5.5 Make annual donations to Jinhu Elementary School to provide students with a better learning environment.
   - 5.6 Make annual donations to the Taiwan Spinal Cord Injury Association to help patients and their families face challenges with courage and find hope for a new life.
   - 5.7 Donate 500 residential fire alarms to the Pingtung County Fire Department.
   - 5.8 Sponsor the 2024 Taipei Capital Cup International Skills Competition held by Taipei Municipal Nangang Vocational High School.
   - 5.9 Sponsor art and cultural activities at 10 junior high and elementary schools in Tainan.
   - 5.10 Jointly sign the ESG Sustainable Development Initiative with E.SUN Financial Holding Co., taking concrete actions to achieve corporate sustainability goals.
   - 5.11 Donate two sets of air conditioning systems to the food distribution area of the central kitchen at Lujhu Elementary School in Kaohsiung City.
6. In case of major social events, both the Company and its employees will try their best to make a contribution.

## Climate-Related Information of TWSE/TPEx Listed Company

## 1. Implementation of Climate-Related Information

<table>
<tr><th>Item</th><th>Implementation status</th></tr>
<tr><td>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</td><td>1. The implementation status of the Company's greenhouse gas inventory and verification schedule will be reported to the every meeting of the board of directors. The board of directors and management will pay attention to whether new energy-saving optimization solutions can be proposed for existing products and discuss them with relevant departments.</td></tr>
<tr><td>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</td><td>2. How climate risks and opportunities affect business, strategy and finance (short-term, medium-term and long-term) are explained as follows:
<table>
<tr><th></th><th>Climate risks</th><th>Climate opportunities</th><th>Counter measure</th></tr>
<tr><td>short-term</td><td>The supply of water and electricity is unstable, production is affected, and operating costs increase. Typhoons, floods, and droughts affect production, leading to financial losses and revenue declines.</td><td>Improve water resource efficiency and reduce the impact of disasters on production; improve natural disaster resistance and climate resilience, and reduce the probability of operational interruptions and possible losses</td><td>Set an annual per capita water consumption reduce target by 12L/person, adjust water consumption and install water-saving devices, strengthen management and regular inspections; establish a complete water monitoring mechanism to ensure that production will not be affected by</td></tr>
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</td></tr>
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| | | | water shortage or water outage; implement emergency response training, reduce disaster losses. |
| medium-term | As temperatures rise, electricity consumption increases, also increase in costs and carbon emissions. | Promote low-carbon production, save electricity and reduce costs | Formulate energy-saving and electricity consumption plan and set a goal of reducing electricity consumption per $10,000 of output value by 7KWH/year; encourage lights to be turned off when people leave and equipment to be turned off when not working normally. |
| long-term | Greenhouse gas emissions, carbon reduction equipment settings | Promote energy efficiency, recycle & reuse, and cost savings | Maximize paperless and only use recycled paper to print unimportant documents when necessary |

3. Describe the financial impact of extreme weather events and transformative actions.

3. Financial impact of extreme weather events and transformative actions:

| Impact factor | Direct impact | Indirect impact |
| --- | --- | --- |
| Extreme weather events | Business interruptions and production losses may result in production stagnation and losses. | Increased risk may result in increased insurance costs. |
| | Financial losses may include facility damage, equipment loss, casualties, etc., which may require repair costs, insurance claims, and litigation expenses. | Company's failure to respond effectively to extreme climate events may lead to reputation damage, which in turn affects customer loyalty and market share. |
| Transformative actions: | Increased costs, such as the additional investment and costs that may be required to implement environmentally friendly production and operating methods. | |
| | Complying with regulatory requirements may increase costs. | |

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| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. | 4. The Company has not yet formulated a process for the identification, assessment and management of climate risks, but the process for the identification, assessment and management of climate risks is part of the overall risk management.<br>Therefore, this procedure will be use to address climate risks:<br>Identification: Regular environmental reviews and risk assessments to identify climate-related risks that may pose, including extreme climate events, the impact of climate change on resource supply, etc.<br><br>Assessment: Evaluate the identified risks, including their potential impact, probability of occurrence, and impact on the Company's business, strategy, and finances.<br><br>Management: Based on the assessment results, formulate corresponding management measures and response strategies to reduce or mitigate the impact of risks and also explore possible opportunities.<br><br>To ensure that the Company can respond more flexibly and effectively in the face of climate change and extreme weather events. |
| 5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described. | 5. Not applicable (the Company has no usage scenario analysis and evaluation). |
| 6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks. | 6. Not applicable (the Company has no transformation plan). |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated. | 7. Not applicable (the Company has no internal carbon pricing) |
| 8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If | 8. The Company has set climate-related goals, including the following information:<br>Covered Activities: Covers all business-related activities, including production, transportation, supply chain management, etc.<br>Greenhouse gas emission: Covers all major greenhouse gas emission categories, |

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| carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified. | including direct emissions and indirect emissions.<br>Planning schedule: The planning schedule has been developed and the timetable and milestones for achieving the goals have been determined.<br>Annual achievement progress: Regularly track and report annual achievement progress to ensure the achievement of goals.<br>The Company has not yet determined the source and quantity of carbon offset credits and the number of renewable energy certificates (RECs). |
| 9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan (separately fill out in points 1-1 and 1-2 below): | |

## 1-1. Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

1-1-1 Greenhouse Gas Inventory Information

| Describe the emission volume (metric tons CO2e), intensity (metric tons CO2e/NT$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years. |
|---|
| The Parent company of the Group (KUEN LING MACHINERY REFRIGERATING CO., LTD.) has produced CO2 emissions from electricity consumption in the past two years of 1.653 metric tons, with an intensity of 0.00054/million of turnover. |

Note 1: Direct emissions (scope 1, i.e., emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e., indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e., emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064-1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT$ 1 million) shall be disclosed.

1-1-2 Greenhouse Gas Assurance Information

| Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion. |
|---|
| In accordance with the Financial Supervisory Commission plan, the Company is promoting the information disclosure schedule for listed companies that should conduct greenhouse gas inventory in stages, which belongs to the third stage. The completion time for individual and consolidated financial report will fall in 2028 and 2029 respectively. Relevant operations are being carried out in accordance with regulations, but have not yet entered the confirmation stage. |

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing of the annual report, it shall note that "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it shall note that "Complete assurance information will be disclosed on the Market Observation Post System (MOPS)," and shall disclose the complete assurance information in the annual report of the following fiscal year.

Note 2: The assurance institutions shall meet the directions regarding assurance of sustainability reports prescribed by the TWSE and the TPEx.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

## 1-2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

| Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets. |
| --- |
| Although the Company is a company with a capital of less than 5 billion which is required to complete the annual consolidated financial report review in 2027 in accordance with regulations; the Company is still committed to paying attention to various environmental issues. In addition to conducting a comprehensive review of existing processes and equipment to improve In addition to reducing carbon emissions, an annual target of reducing per capita water consumption by 12L/person have set, formulate an energy-saving electricity plan, and reducing electricity consumption per $10,000 of output value by 7KWH/year. |

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024. If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

Note 3: When preparing the disclosure content, the Company may refer to the best practice reference examples on the TWSE Corporate Governance Center website.

Scope: The compliance obligations (regulations and other requirements) apply to the promotion scope of the Company's environmental protection, occupational safety and health management system.

| Stakeholders | Environmental safety and health needs and expectations | Become a compliance obligation | |
|---|---|---|---|
| | | Yes | No |
| Environmental Protection Agency | Environmental protection regulations in compliance with the requirements of the Environmental Protection Agency | V | |
| Environmental Protection Bureau | Environmental protection regulations in compliance with the requirements of the Environmental Protection Bureau | V | |
| Customer | The equipment need to meet customers' customized order requirements | V | |
| Community | No demand has been reflected at present. | V | |
| Suppliers | No demand has been reflected at present. | V | |
| Shareholders | No demand has been reflected at present. | V | |
| Employees | No demand has been reflected at present. | V | |
| Labor Bureau/Labor Inspection Department of the Kaohsiung Municipal Government | In compliance with relevant laws and regulations on occupational safety. | V | |
| Fire brigade | In compliance with laws and regulations related to fire protection. | V | |
| Health Bureau | No demand has been reflected at present. | V | |

The number of employee disaster cases, number of employees and their ratio to the total number of employees in the current year and relevant improvement measures undertaken:

| Month | January | February | March | April | May | June | July | August | September | October | November | December | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total working days (days) | 22.0 | 16.0 | 21.0 | 20.0 | 22.0 | 19.0 | 23.0 | 22.0 | 20.0 | 20.0 | 21.0 | 22.0 | 20.7 |
| Total working hours (hours) | 33264.0 | 23552.0 | 31080.0 | 31040.0 | 35200.0 | 30522.0 | 36615.0 | 33792.0 | 30880.0 | 30880.0 | 32256.0 | 33440.0 | 31876.8 |
| Total employees (male) | 154.0 | 149.0 | 150.0 | 156.0 | 162.0 | 163.0 | 161.0 | 153.0 | 154.0 | 154.0 | 153.0 | 151.0 | 155.0 |
| Total employees (female) | 35.0 | 35.0 | 35.0 | 38.0 | 38.0 | 38.0 | 38.0 | 39.0 | 39.0 | 39.0 | 39.0 | 39.0 | 37.7 |
| Overtime hours (hours) | 2169.0 | 971.0 | 2783.0 | 2266.0 | 2024.0 | 2803.5 | 2648.0 | 2657.5 | 2780.0 | 2429.0 | 3241.5 | 3322.5 | 2507.9 |
| Leave hours (hours) | 2035.5 | 1416.0 | 2829.5 | 1827.0 | 1676.5 | 2420.0 | 2277.5 | 5884.5 | 1841.5 | 5660.5 | 3218.0 | 1486.5 | 2714.4 |
| Incident Unit (Unit) | None | None | None | None | Production department | Production department | Production department | Production department | Production department | Production department | Production department | None | None |
| Working hours lost | 0.0 | 0.0 | 0.0 | 0.0 | 50.5 | 192.0 | 192.0 | 208.0 | 152.0 | 96.0 | 12.0 | 0.0 | 75.2 |
| Accumulated zero-disaster man-hours in the month | 33397.5 | 23107.0 | 31033.5 | 31479.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 9918.1 |
| Accumulated zero-disaster man-hours in the year | 33397.5 | 56504.5 | 87538.0 | 119617.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 24754.8 |
| Accumulated (zero-disaster) million man-hours | 156950.5 | 180057.5 | 211091.0 | 242570.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 65889.1 |
| Disabling Frequency Rate FR | 0.0 | 0.0 | 0.0 | 0.0 | 28.4 | 32.8 | 54.6 | 59.2 | 32.4 | 32.4 | 31.0 | 0.0 | 22.6 |
| Disabling Severity Rate SR | 0 | 0 | 0 | 0 | 170.5 | 786.3 | 655.5 | 769.4 | 615.3 | 388.6 | 62.0 | 0 | 287.3 |
| False-alarm traffic accidents | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Traffic accident unit (unit) | None | None | None | None | None | None | None | None | None | None | None | None | None |
| Victims of traffic accidents | None | None | None | None | None | None | None | None | None | None | None | None | None |
| Lost time injury due to traffic accidents | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| Month | January | February | March | April | May | June | July | August | September | October | November | December | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total injury index | 0.00 | 0.00 | 0.00 | 0.00 | 2.20 | 5.0 | 5.90 | 6.74 | 4.40 | 4.40 | 0.96 | 0.00 | 2.5 |
| Number of work safety incidents | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0.00 | 0.2 |
| Period | 2024.01.01~2024.12.31 | | | | | | | | | | | | |

## (VI) Enforcement of ethical corporate management, and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies and reasons

| Assess criteria | Implementation Status | | | Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Establishment of integrity policies and solutions<br>(I) Has the Company formulated ethical corporate management policies approved by the Board of Directors, and specified the policies and measures in the regulations and documents to the outside? What is the commitment of the Board of Directors and senior management on actively implementing the policies? | V | | (I) The Company has established the "Code of Ethical Conduct", the "Ethical Corporate Management Best Practice Principles" and the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" which must be submitted to the Board of Directors for approval before implementation. The above-mentioned documents specifically regulate the matters that the Company's employees should pay attention to when performing business, and clearly indicate that they should not accept entertainment, gifts, rebates or other illegal benefits during the performance of their duties. In addition, the Company specified in the "Code of Ethical Conduct" the system of reporting illegal and unethical acts, which is implemented in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. | No material difference. |
| (II) Whether the Company has established a mechanism for evaluating the risk of unethical conduct, regularly analyzes and evaluates the activities in the scope of business with a higher risk of unethical | V | | (II) The Company has adopted preventive management measures for business activities with a higher risk of unethical acts in the scope of business or as described in the second paragraph of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" in various internal control | |

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| conduct, and on the basis of this, has formulated a plan to prevent unethical conduct, which covers at least the preventive measures for the conduct set out in Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?<br><br>(III) Has the Company formulated operating procedures, conduct guidelines, and disciplinary and complaint systems for violations in the plan to prevent unethical conduct and implemented the plan as well as regularly reviewed and amended it? | <br><br><br><br><br><br><br><br><br>V | | regulations.<br><br><br><br><br><br><br><br><br>(III)The Company has established the "Code of Ethical Conduct," the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" and the "Complaint and Whistleblowing Channels for Ethical Corporate Management Procedures" which regulate the handling units, the reporting channels and the complaint or reporting processing process in detail and reviews and revises them according to the actual operation situation while taking into account the change of external laws and regulations. The relevant specifications are published on the Company's internal website for employees to check at any time. Once it is confirmed that an employee commits any violation, the Company will punish him/her in accordance with the Rewards and Punishment Regulations in the "Employee Handbook." If the circumstances are serious, the employee will be sent to the judicial unit for further investigation. | |
| II. Enforcement of business integrity<br>(I) Does the Company evaluate the integrity record of its trading partners, and specify the terms of integrity behavior in the contract signed with the trading partners?<br><br>(II) Has the Company set up a special unit | <br><br>V | | <br>(I) When conducting business activities, the Company will first evaluate the legitimacy and credibility of the customers and suppliers before conducting transactions with them, and conduct credit evaluation to avoid dealing with those who have unethical acts. In addition, the Company requires important suppliers and contractors who have dealings with the Company to sign contracts which clearly stipulate the compliance with integrity commitment. If there is any unethical behavior, the contract may be immediately terminated or rescinded.<br><br>(II) The Company has designated the administration unit and the | <br>No material difference. |

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| under the Board of Directors to promote the integrity of the enterprise, and regularly (at least once a year) reported to the Board of Directors on its ethical corporate management policy and prevention of unethical behavior program? What is the status of supervision and implementation? | | V | Auditor's Office to be responsible for the formulation and supervision of the integrity management policies and preventive programs and will consider the establishment of a special unit under the Board of Directors in the future depending on actual needs.<br>At present, if any unethical behavior is found, the Auditor's Office will submit a report to the independent director and the Board of Directors. The implementation of integrity management in 2024 has been reported to the board of directors on November 6, 2024. Details of the operation can be found on the Company's official website Corporate Social Responsibility. | |
| (III) Does the Company have the policy to prevent conflict of interest, provide appropriate channels for an explanation, and implement it? | V | | (III)The Company's "Code of Ethical Conduct," the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" specify policies to prevent conflicts of interest and provide appropriate channels of presentation and require the relevant units of the Company to implement them. The "Regulations Governing the Meetings of the Board of Directors" established by the Company also provides for the recusal of directors' to avoid conflicts of interest in order to further implement the policy of recusal for conflicts of interests. In addition, at each meeting of the Board of Directors, if there is a motion that involves recusal for conflicts of interest, the Company is reminded again by the Chairman of the Board of Directors to ask the interested party to recuse himself/herself before the motion is read. In 2024, 7 Board meetings were held, all of which were conducted in accordance with the "Regulations Governing the Meetings of the Board of Directors." | |
| (IV) Does the Company implement ethical corporate management by establishing an effective accounting system and internal control system, and have an internal audit unit to plan and conduct periodic audits on the compliance status of the programs that prevent the unethical conduct according to | V | | (IV) In order to ensure the implementation of ethical operation, the Company has established an effective accounting system and internal control system. The internal auditors regularly check the compliance with the system referred to in the preceding paragraph, and formulate an annual internal audit plan to verify the compliance, and submit a report to the Board of Directors. | |

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|---|---|---|---|---|
| the unethical conduct risk assessment result, or appoint a CPA to perform the audit?<br><br>(V) Does the Company regularly organize internal and external education and training on ethical corporate management? | <br><br>V | | <br><br>(V) In order to implement the Company's corporate culture - being proactive, honest and pragmatic, innovative and learning, the Company regularly holds weekly and monthly meetings, and employees will customize their reports sharing topics related to the corporate culture. | |
| III. Whistleblowing system<br>(I) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?<br><br>(II) Has the Company established standard operating procedures for investigating the complaints received, follow-up measures to be taken after the investigation, and the relevant confidentiality mechanism?<br><br>(III) Has the Company taken measures to protect whistleblowers from being improperly treated due to whistleblowing? | <br>V<br><br><br><br><br>V<br><br><br><br>V | | <br>(I) The Company has set out the specific whistleblowing and reward system in the "Complaint and Whistleblowing System for Ethical Corporate Management Procedures" and the "Employee Handbook" respectively, and clearly stipulated that the administrative management unit and the Auditor's Office are the special units to accept whistleblowing and complaints. The Company also clearly prescribes the whistleblowing channels and handling windows for internal and external personnel in the stakeholders section of the Company's official website.<br><br>(II) The Company's "Complaint and Whistleblowing System for Ethical Corporate Management Procedures" clearly stipulates the standard operating procedures for the investigation of the accused matters, the follow-up measures to be taken after the investigation, and the relevant confidentiality mechanism.<br><br>(III) In the "Complaint and Whistleblowing System for Ethical Corporate Management Procedures", the Company clearly stipulates the following protection for whistleblowers:<br>1. The safety of the whistleblower shall be protected. If the whistleblower is an employee of the Company, the Company shall promise to protect him/her from improper treatment due to whistleblowing.<br>2. The personnel in charge of the case shall strictly keep confidential the identity of the whistleblower and the whistleblowing contents. | <br>No material difference. |

| | | | | |
|---|---|---|---|---|
| IV. Enhanced information disclosure<br>Does the Company disclose the information concerning the contents and achievements of its Ethical Corporate Management Best Practice Principles on its website as well as on the Market Observation Post System? | V | | The Company has disclosed information related to ethical corporate management operation on its official website, and set up various contact zones to provide transparent information and communication channels. | No material difference. |
| V. If the Company has established its Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe the difference in the operation:<br>The Company has established there "Ethical Corporate Management Best Practice Principles", the "Operating Procedures and Conduct Guidelines for Ethical Corporate Management" and the "Complaint and Whistleblowing Channels for Ethical Corporate Management Procedures", and published them on the Company's website for employees to consult and follow at any time. Once any internal and external unethical behavior is identified, the relevant units or the management will immediately start the investigation procedure in accordance with the relevant regulations. There is no significant difference between the Company's operation and the established Principles. | | | | |
| VI. Any other important information that helps to understand the operation status of the Company's ethical corporate management (such as the Company's review and amendment to its Ethical Corporate Management Best Practice Principles)<br>The Company operates in strict accordance with the provisions of the Company Act, the Securities and Exchange Act and other relevant laws and regulations of TWSE and TPEx, and as the basis of the implementation of ethical corporate management. The Company prohibits any unethical conduct with trading counterparts in external business transactions. The Company's relevant regulations on ethical corporate management and internal control system adopt a self-monitoring mechanism, and the Company will take corrective action once an unethical conduct or deficiency is identified. | | | | |

## (VII) Other important information sufficient to enhance the understanding of the operations of corporate governance may be disclosed at the same time:

The Company's important information is published at the Market Observation Post System http://mops.twse.com.tw/ in accordance with the regulations of the competent authority.

## 2. Continuing education of directors, supervisors and independent directors in 2024

| Position | Name | Date of taking office | Initial date of taking office | Date of study | | Hosting unit | Course name | Training hours | Total hours of study in the current year |
|---|---|---|---|---|---|---|---|---|---|
| | | | | From | To | | | | |
| Director | Chung-Kuo Tseng | 2024/05/28 | 2000/07/28 | 2024/04/12 | 2024/04/12 | Taiwan Investor Relations Association | Navigating Corporate Wisdom: Corporate Governance Leading the Way | 3.0 | 6.0 |
| | | | | 2024/07/20 | 2024/07/20 | Commerce Development Research Institute | Corporate Governance and Sustainable Business Management Workshop | 3.0 | |
| Director | Rung-Pin Yeh | 2024/05/28 | 2000/07/28 | 2024/04/12 | 2024/04/12 | Taiwan Investor Relations Association | Navigating Corporate Wisdom: Corporate Governance Leading the Way | 3.0 | 6.0 |
| | | | | 2024/09/05 | 2024/09/05 | Taipei Exchange | Seminar on Insider Shareholding for Emerging and OTC Companies | 3.0 | |
| Director | Wen-Chi Ko | 2024/05/28 | 2021/07/20 | 2024/04/12 | 2024/04/12 | Taiwan Investor Relations Association | Navigating Corporate Wisdom: Corporate Governance Leading the Way | 3.0 | 6.0 |
| | | | | 2024/09/05 | 2024/09/05 | Taipei Exchange | Seminar on Insider Shareholding for Emerging and OTC Companies | 3.0 | |
| Representative of corporate director | Yu-Fen Huang | 2024/05/28 | 2018/05/23 | 2024/08/01 | 2024/08/01 | Corporate Operating and Sustainable Development Association | Analysis of Regulations and Practical Disputes Related to the Board of Directors | 3.0 | 6.0 |
| | | | | 2024/08/09 | 2024/08/09 | Taiwan Project Management Association | Advanced Course for Listed Company Directors – SDGs and ESG Sustainability Management | 3.0 | |
| Representative of corporate director | Chi-Tseng Peng | 2024/05/28 | 2018/05/23 | 2024/08/14 | 2024/08/14 | Taiwan Corporate Governance Association | Trends in Smart Manufacturing and Application of Digital Technology in Business Management | 3.0 | 6.0 |
| | | | | 2024/12/17 | 2024/12/17 | The Business Development Foundation of the Chinese Straits | The Present and Future of Energy Service Companies (ESCOs) | 3.0 | |

| Position | Name | Date of taking office | Initial date of taking office | Date of study | | Hosting unit | Course name | Training hours | Total hours of study in the current year |
|---|---|---|---|---|---|---|---|---|---|
| | | | | From | To | | | | |
| Independent director | Li-Rong Hong | 2024/05/28 | 2014/05/08 | 2024/09/05 | 2024/09/05 | Taiwan Corporate Governance Association | Business Risks of Directors and Supervisors under Corporate Governance and Directors' and Supervisors' Responsibilities in Mergers and Acquisitions | 3.0 | 6.0 |
| | | | | 2024/09/06 | 2024/09/06 | Taiwan Corporate Governance Association | Practical Operations of Board of Directors and Shareholders' Meetings | 3.0 | |
| Independent director | Yean-Der Kuan | 2024/05/28 | 2019/05/23 | 2024/09/26 | 2024/09/26 | Corporate Operating and Sustainable Development Association | Promoting Corporate Sustainability through Risk Management | 3.0 | 6.0 |
| | | | | 2024/10/21 | 2024/10/21 | Taipei Foundation of Finance | Corporate Governance – Detection and Prevention of Digital Fraud and Digital Financial Crimes | 3.0 | |
| Independent director | Ming-Bing Chen | 2024/05/28 | 2021/07/20 | 2024/10/28 | 2024/10/28 | Accounting Research and Development Foundation | Strengthening the Functions of Internal Control Lines and the Operational Mechanism of the Board, and Analysis of Fraud Cases | 6.0 | 6.0 |
| Independent director | Wen-An Yang | 2024/05/28 | 2008/06/12 | 2024/09/05 | 2024/09/05 | National Federation of CPA Associations of the R.O.C. | How to Establish an Effective Anti-Money Laundering and Counter-Terrorism Financing System | 3.0 | 9.0 |
| | | | | 2024/09/10 | 2024/09/10 | National Federation of CPA Associations of the R.O.C. | Comprehensive Perspectives on Sustainable Internal Control | 3.0 | |
| | | | | 2024/10/08 | 2024/10/08 | National Federation of CPA Associations of the R.O.C. | Money Laundering Patterns Accountants Should Be Aware Of and Analysis of Tax Crime Cases | 3.0 | |

3. Continuing Education of Managerial Officers in 2024

| Position | Name | Date of taking office | Initial date of taking office | Date of study | | Hosting unit | Course name | Training hours | Total hours of study in the current year |
|---|---|---|---|---|---|---|---|---|---|
| | | | | From | To | | | | |
| Chairman and General Manager | Chung-Kuo Tseng | 2024/05/28 | 2000/07/28 | 2024/04/12 | 2024/04/12 | Taiwan Investor Relations Association | Navigating Corporate Wisdom: Corporate Governance Leading the Way | 3.0 | 6.0 |
| | | | | 2024/07/20 | 2024/07/20 | Commerce Development Research Institute | Corporate Governance and Sustainable Business Management Workshop | 3.0 | |
| Chief Financial Officer | Li-Ling Su | 2003/10/24 | 2003/10/24 | 2024/07/26 | 2024/08/02 | Accounting Research and Development Foundation | Issuers, Securities Firms, and Stock Exchange Accounting Officers Continuing Education Program | 12.0 | 24.0 |
| Corporate Governance Officer | Li-Ling Su | 2023/01/01 | 2023/01/01 | 2024/09/30 | 2024/09/30 | Accounting Research and Development Foundation | Latest Regulations and Practical Internal Control Management on "Annual Reports / Sustainability Information / Financial Report Preparation" | 6.0 | |
| | | | | 2024/12/18 | 2024/12/18 | Accounting Research and Development Foundation | Common Deficiencies in "Financial Report Review" and Practical Analysis of Important Internal Control Regulations | 6.0 | |

4. The Company’s financial information personnel who have obtained certificates and licenses designated by the competent authorities are as follows:

None of the Company’s financial information personnel have obtained certificates and licenses designated by the competent authorities; however, they will continue to study at the following institutions and obtain test results and certificates.

1. Test of Corporate Internal Control held by the Securities and Futures Institute: 2 persons from the Audit Department
2. Basic Ability Test held by the Accounting Research and Development Foundation: 3 persons from the Financial Department

## (VIII) Disclosures relating to the execution of internal control system:

### 1. Internal Control System Declaration

Date: March 11, 2025

The Company hereby declares the following on its 2024 internal control system based on the results of the self-assessment performed:

(1)The Company understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managers, and such a system has already been established by the Company. With the purpose to provide reasonable assurance of achievement of objectives such as the effect and efficiency of operations (including profitability, performance and asset security protection), reporting reliability, timeliness, transparency, and compliance with relevant norms and relevant laws and regulations.

(2)The internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the three objectives above; besides, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the internal control system of the Company features a self-monitoring mechanism that enables the Company to immediately rectify any deficiencies upon discovery.

(3)The Company judges the effectiveness of the design and implementation of the internal control system based on the provisions of the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations". The judgment items adopted in the "Regulations" on the internal control system are based on the management and control process, and the internal control system is divided into five components: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervision operations. Each component in turn includes several items. Please refer to "The Governing Principles" for details.

(4)The Company has adopted the internal control system judgment items above to evaluate the effectiveness of the design and implementation of the internal control system.

(5)Based on the evaluation results in the preceding paragraph, the Company believes that its internal control system as of December 31, 2024 (including the supervision and management of subsidiaries), including understanding the effect of operations and the degree to which efficiency goals are achieved, the report is reliable, timely and transparent and complies with relevant norms and relevant laws and regulations; the design and implementation of the internal control system are effective, which can reasonably ensure the achievement of the objectives above.

(6)This declaration constitutes part of the Company's annual report and prospectus and shall be disclosed to the public. If the disclosed contents above are false or contain concealment or other illegal activities, it will involve legal liabilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

(7)This declaration was approved by the Board of Directors of the Company on March 11, 2025. None of the 9 directors present disagreed and all agreed with the contents of this declaration.

Kuen Ling Machinery Refrigerating Co., Ltd.

Chung-Kuo Tseng, Chairman

Chung-Kuo Tseng, General Manager

2. If an external CPA reviewed the internal control system, the result of such review must be disclosed: Not applicable.

## (IX) Major resolutions passed in shareholder meetings and Board of Directors held in 2024 and up to the publication date of the annual report:

1. Implementation of the resolutions of the 2024 general shareholders' meeting (May 28, 2024):

| No. | Resolution | Results of Resolutions | Status of implementation |
|---|---|---|---|
| 1 | Recognition of the business report and financial report of 2023. | Number of affirmative voting rights (including electronic voting): 44,476,683, accounting for 98.46% of the total. The number of dissenting voting rights: 20,732, the number of invalid voting rights: 0 and the number of abstention and non-voting rights:674,280. This proposal was passed according to the proposal submitted by the Board of Directors. | Relevant operations are handled according to resolution. |
| 2 | Recognition of the profit distribution plan of 2023. | After voting (including electronic voting), the number of affirmative voting rights was 44,480,683, accounting for 98.47% of the total, the number of dissenting voting rights 19,732, the number of invalid voting rights: 0. and the number of abstention/non-voting rights: 671,280. This proposal was passed according to the proposal submitted by the Board of Directors. | The ex-dividends date was June 18, 2024, and the cash dividend was fully paid on July 12, 2024. (Cash dividends of NT$2.4 per share) |

2.The Company held 6 Board of Directors in 2024 and up to the date of printing of the annual report and a summary of the important resolutions passed is as follows:

| Date of meeting | Session number | Important resolution |
|---|---|---|
| 2024.05.07 | The 18h meeting of the 14th Session | 1. Approved the Company's consolidated financial statements for the first quarter of 2024.<br>2. Approved the adoption of the "Sustainability Development Best Practice Principles". |
| 2024.05.28 | The 1st meeting of the 15th Session | 1. Approved the re-election of Chung-Kuo Tseng as Chairman for the 15th term with unanimous consent of all attending directors. |

| Date of meeting | Session number | Important resolution |
|---|---|---|
| 2024.08.06 | The 2nd meeting of the 15th Session | 1. Approved the Company's consolidated financial statements for the second quarter of 2024.<br>2. Approved the appointment of the 6th Compensation Committee members: Li-Rong Hong (Independent Director), Yean-Der Kuan (Independent Director), Ming-Bin Chen (Independent Director), and Wen-An Yang (Independent Director).<br>3. Approved the establishment of the "Sustainability Development Committee" and the adoption of its organizational rules.<br>4. Approved the appointment of the 1st Sustainability Development Committee members: Chung-Kuo Tseng (Chairman), Li-Rong Hong (Independent Director), and Yan-Der Kuan (Independent Director).<br>5. Approved the engagement of PricewaterhouseCoopers Taiwan to provide consulting services for the sustainability report.<br>6. Approved the donation to the Department of Energy and Refrigeration and Air Conditioning Engineering, National Kaohsiung University of Science and Technology.<br>7. Approved reducing the number of directors from eight to four for the 83%-owned subsidiary "CHING CHI INTERNATIONAL LIMITED - BVI" to meet operational needs.<br>8. Approved reducing the number of directors from seven to three for the wholly-owned subsidiary "KLEAN AIR ENTERPRISE LTD - Samoa" to meet operational needs. |
| 2024.11.06 | The 3rd Meeting of the 15th Session | 1. Approved the Company's consolidated financial statements for the third quarter of 2024.<br>2. Approved partial amendments to the "Sustainability Development Best Practice Principles". |
| 2024.12.24 | The 4th Meeting of the 15th Session | 1. Approved the 2025 Internal Audit Plan.<br>2. Approved partial amendments to the "General Provisions of the Internal Control System" and the "Internal Audit Implementation Rules".<br>3. Approved the adoption of "Sustainability Information Management Procedures".<br>4. Approved the Company's 2025 Business Plan and Financial Budget (including the Consolidated Financial Budget).<br>5. Approved the borrowing limits for 2025.<br>6. Approved the 2024 Year-end Bonus distribution principles and estimated amounts for managers.<br>7. Approved the proposal for the adjustment of 2025 managers' remuneration.<br>8. Approved the Company's 2025 directors' and managers' performance evaluation and remuneration policy, system, standards, and structure. |
| 2025.03.11 | The 5th Meeting of the 15th Session | 1. Approved the allocation of 2024 employees' and directors' remuneration.<br>2. Approved the Company's 2024 Business Report and Financial Statements.<br>3. Approved the 2024 Earnings Distribution Proposal.<br>4. Approved the 2024 Internal Control System Effectiveness Assessment and the issuance of the Internal Control System Statement.<br>5. Approved the evaluation of independence and suitability of the 2025 |

| Date of meeting | Session number | Important resolution |
|---|---|---|
| | | auditing CPA.<br>6. Approved the appointment of the auditing CPA for 2025.<br>7. Approved the direct investment in Thailand to expand overseas markets and strengthen group growth momentum.<br>8. Approved partial amendments to the Company's Articles of Incorporation.<br>9. Approved matters related to convening the 2025 Annual Shareholders' Meeting.<br>10. Approved the acceptance of shareholder proposals for the 2025 Annual Shareholders' Meeting. |

**(X) If the directors or supervisors have different opinions on the important resolutions adopted by the Board of Directors in the most recent year and up to the publication date of the annual report, and there are records or written statements in place, state the main contents: None.**

## III. Information on CPA fee

Unit: NT$ thousand

| Name of accounting firm | Name of CPA | Period of audit service | Audit fees | Non-audit fees | Total | Notes |
|---|---|---|---|---|---|---|
| PwC Taiwan | Chun-Kai Wang | 2024 | 3,520 | 1,195 | 4,715 | Non-audit fees, transfer pricing report, business registration |
| | Chian-Chi Wu | | | | | |

Note 1: If the Company has changed its CPA or accounting firm in the year, separately list the audit period, explain the reasons for the change in the notes column, and disclose the audit and non-audit fees paid in order.

Note 2: Non-audit fees shall be listed separately by service items. If the "Others" of non-audit fees reaches 25% of the total amount of non-audit fees, the service contents shall be listed in the notes column.

(I) For the non-audit fees paid to the CPA, the CPA's accounting firm and/or any of its affiliated enterprises, if the amount reaches one quarter of the audit fees paid, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: 2024 transfer pricing report.

(II) If the Company changed the accounting firm and the audit fees paid for the year when such the change took place are lower than those of the previous year, the amounts of the audit fees before and after the change and the reason(s) shall be disclosed: Not applicable.

(III) For any reduction in audit fee by more than 10% compared to that of the previous year, state the amount, percentage, and reason of such variation: Not applicable.

## IV. Information on replacement of CPA: Not applicable.

## V. If any of the Company's Chairman, General Manager, or financial or accounting manager was employed by the certifying CPA's accounting firm or any of its affiliated company within the most recent year, disclose the person's name, job title and the duration of service at the certifying CPA's accounting firm or its affiliated companies. The term "affiliated enterprises of the CPA's accounting firm" refers to companies or institutions in which the CPA's accounting firm holds more than 50% of the shares or obtains more than half of their directors' seats, or which are listed as affiliated enterprises in the data published or printed by the CPA's accounting firm: None.

## VI. Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest in the last year and up to the publication date of the annual report.

### (I) Details of shares transferred or pledged by directors, supervisors, managers, and shareholders with more than 10% ownership interest

| Title | Name | 2024 | | As of March 28, 2025 | | Notes |
|---|---|---|---|---|---|---|
| | | Increase (decrease) in shares held | Increase (decrease) in shares pledged | Increase (decrease) in shares held | Increase (decrease) in shares pledged | |
| Chairman and General Manager | Chung-Kuo Tseng | 0 | 0 | 0 | 0 | |
| Director | Rung-Pin Yeh | 0 | 0 | 0 | 0 | |
| Director | TECO Electric & Machinery Co., Ltd. | (270,000) | 0 | (196,000) | 0 | |
| Director | Wen-Chi Ko | 0 | 0 | 0 | 0 | |
| Director | Hua Hong Industrial Co., Ltd. | 0 | 0 | 0 | 0 | |
| Independent director | Yean-Der Kuan | 0 | 0 | 0 | 0 | |
| Independent director | Li-Rong Hong | 0 | 0 | 0 | 0 | |
| Independent director | Wen-An Yang | 0 | 0 | 0 | 0 | |
| Independent director | Ming-Bing Chen | 0 | 0 | 0 | 0 | |
| Shareholders holding more than 10% of the shares | TECO Electric & Machinery Co., Ltd. | (270,000) | 0 | (196,000) | 0 | |
| Manager | Hsien-Jung Kuo | (25,000) | 0 | 0 | 0 | Deputy General Manager, Sales Tech. Department |
| Manager | Chin-Chung Wu(Note) | 12,000 | 0 | 0 | 0 | Deputy General Manager, R&D Department |
| Manager | Li-Ling Su | 0 | 0 | 0 | 0 | Assistant Manager, Financial Department |

Note: Chin-Chung Wu, Deputy General Manager of the Sales Department, was reassigned as Deputy General Manager of the R&D Department on April 1, 2025.

### (II) If the equity transferee or the counterparty is a related party, the name of the counterparty, the relationship with the Company, directors, supervisors and shareholders holding more than 10% of the shares and the number of shares acquired or pledged shall be disclosed.

**Information of the equity transferee or the counterparty who is a related party:**

None.

## VII. Information about the top-ten shareholders who are related parties, spouses or relatives within the second degree of kinship.

Information of top 10 shareholders who are related parties

As of March 31, 2025 Unit: thousand shares

| Name (Note 1) | Self-owned Shares | | Shareholding of spouse and underage children | | Shareholding under the title of a third party | | Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relatives within the second degree of kinship relationships (notes 3) | | Notes |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Share-holding ratio | Shares | Share-Holding ratio | Shares | Share-holding ratio | Name | Relation | |
| TECO Electric & Machinery Co., Ltd. | 10,666 | 14.01% | - | - | - | - | | | |
| Representative: Li Ming-Xian | - | - | - | - | - | - | | | |
| Wen-Chi Ko | 4,414 | 5.80% | - | - | - | - | Wen-Chi Investment Co., Ltd. | Representative: Wen-Chi Ko | |
| En Hung Investment Co., Ltd. | 3,149 | 4.14% | - | - | - | - | | | |
| Representative: Shu-Ching Yeh | 376 | 0.49% | - | - | - | - | Rung-Pin Yeh | Father-daughter | |
| Dian Jiang Jia Investment Co., Ltd. | 2,841 | 3.73% | 0 | 0 | - | - | | | |
| Representative: Jing-Sung Chen | 200 | 0.26% | - | - | - | - | | | |
| Rung-Pin Yeh | 2,658 | 3.49% | 96 | 0.13% | - | - | Shu-Ching Yeh | Father-daughter | |
| Qie Lun Investment Co., Ltd. | 2,558 | 3.36% | - | - | - | - | Jukun Investment Co., Ltd. | Repreesentative: Chung-Kuo Tseng | |
| Representative: Chung-Kuo Tseng | 2,423 | 3.18% | 281 | 0.37% | 4,025 | 5.29% | | | |
| Chung-Kuo Tseng | 2,423 | 3.18% | 281 | 0.37% | 4,025 | 5.29% | | | |
| Jukun Investment Co., Ltd. | 2,397 | 3.15% | - | - | - | - | Qie Lun Investment Co., Ltd. | Repreesentative: Chung-Kuo Tseng | |
| Representative: Chung-Kuo Tseng | 2,423 | 3.18% | 281 | 0.37% | 4,025 | 5.29% | | | |
| Wen-Chi Investment Co., Ltd. | 2,229 | 2.93% | - | - | - | - | | | |
| Representative: Wen-Chi Ko | 4,414 | 5.80% | - | - | - | - | | | |
| Hong Sheng Investment Co., Ltd. | 1,963 | 2.58% | - | - | - | - | | | |
| Representative: Ming-Cheng Wu (Note) | 3,070 | 4.03% | - | - | - | - | | | |

Note: Including 1,180 thousand shares in a trust with the reserved discretion of exercise rights.

Major shareholders of the corporation shareholders among the top 10 shareholders

| Name of corporation shareholder | Corporation shareholder's main shareholder |
|---|---|
| TECO ELECTRIC AND MACHINERY CO., LTD. | PJ asset management CO., LTD (17.45%); Walsin Lihwa Corporation (10.81%); Yuanta/P-shares Taiwan Dividend Plus ETF (5.45%); Jaryuan Investment Co. Ltd (5.40%); Capital Tip Customized Taiwan Select High Dividend Exchange Traded Fund(2.85%); Ho Yuan International Investment Co,Ltd.(2.36%); CREATIVE SENSOR INC. (2.20%); Tong Kuang Investment Co., Ltd. (1.50%); Kuan Yuan Industrial Co., Ltd (1.25%); Yingyi International Investment Co., Ltd. (1.05%) |
| En Hung Investment Co., Ltd. | Shu-Ching Yeh |
| Qie Lun Investment Co., Ltd. | Chung-Kuo Tseng (50%), YU-FEN HUANG (50%) |
| Dian Jiang Jia Investment Co., Ltd. | Jing-Sung Chen (94%), WEI-CHUNG CHEN, YU-HSIA CHOU, I-PU CHEN (6%) |
| Wenji Investment Co., Ltd. | Wen-Chi Ko (0.43%); MEI-CHIANG KO (99.57%) |
| Jukun Investment Co., Ltd. | Chung-Kuo Tseng (20%); TSUNG-CHING TSAI (40%); CHUN-CHUAN, HUANG (35%); YU-FEN HUANG (5%) |
| Hong Sheng Investment Co., Ltd. | Ming-Cheng Wu (12%), Ding-Wen Wu (2%), Wu-Chueh Hsu (10%), Pei-Jung Wu (12%) |

Note 1: All the top 10 shareholders should be listed. For corporation shareholder, the name of the corporation shareholder and the name of the representative should be listed separately.

Note 2: The calculation of shareholding ratio refers to the calculation of shareholding ratio in one's own name, spouse, minor children or in the name of others.

Note 3: The shareholders listed in the previous disclosure include corporation and natural persons, and the relationship between them should be disclosed in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers' standards.

## VIII. Investments held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company, and the aggregate shareholding of the parties above.

**Aggregate shareholding ratio**

March 31, 2025; Unit: thousand shares; %

| Reinvestment enterprises (Note 1) | Held by the Company | | Held by directors, supervisors, managers, and directly or indirectly controlled enterprises | | Aggregate ownership | |
|---|---|---|---|---|---|---|
| | Shares | Shareholding percentage | Shares | Shareholding percentage | Shares | Shareholding ratio |
| Ching Chi International Limited | 6,200 | 83% | 1,250 | 17% | 7,450 | 100% |
| Cozy Air-Conditioning Co., Ltd. | 3,000 | 100% | - | - | 3,000 | 100% |
| KLEAN AIR Enterprise Ltd. | 4,401 | 100% | - | - | 4,101 | 100% |
| Star Royal Co., Ltd. | 2,350 | 23.5% | 150 | 1.5% | 2,500 | 25% |
| I Chi Industrial Ltd. | Note 2 | 70% | - | - | Note 2 | 70% |

Note 1: It is an investment of the Company through the equity method.
Note 2: Limited company

# Three. Capital Overview

## I. Matters Related to Capital and Shares

### (I) Source of capital:

#### 1. History of capital change

As of March 28, 2025 Unit: NT$/share

| Year/ Month | Issued price (NT$) | Authorized capital | | Paid-up capital | | Notes | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares | Amount | Shares | Amount | Sources of share capital | Payment in properties other than cash | Others |
| 1988.04 | 10 | 1,000,000 | 10,000,000 | 1,000,000 | 10,000,000 | Cash payment by sponsor | None | None |
| 1993.02 | 10 | 5,000,000 | 50,000,000 | 6,000,000 | 60,000,000 | Capital increase of NT$50 million in cash. | None | None |
| 1995.12 | 10 | 6,000,000 | 60,000,000 | 12,000,000 | 120,000,000 | Capital increase of NT$60 million in cash. | None | None |
| 1996.06 | 10 | 5,800,000 | 58,000,000 | 17,800,000 | 178,000,000 | Capital increase of NT$58 million in cash. | None | None |
| 1996.06 | 10 | 1,200,000 | 12,000,000 | 19,000,000 | 190,000,000 | Capital increase of NT$12 million from earnings. | None | None |
| 1997.07 | 10 | 1,900,000 | 19,000,000 | 20,900,000 | 209,000,000 | Capital increase of NT$19 million from earnings. | None | Note 1 |
| 1997.07 | 10 | 2,100,000 | 21,000,000 | 23,000,000 | 230,000,000 | Capital increase of NT$21 million in cash. | None | Note 1 |
| 1998.09 | 10 | 2,300,000 | 23,000,000 | 25,300,000 | 253,000,000 | Capital increase of NT$23 million from earnings. | None | Note 2 |
| 1999.07 | 10 | 1,265,000 | 12,650,000 | 26,565,000 | 265,650,000 | Capital increase of NT$12.65 million from earnings. | None | Note 3 |
| 2000.09 | 10 | 1,328,250 | 13,282,500 | 27,893,250 | 278,932,500 | Capital increase of NT$13.28 million from earnings. | None | Note 4 |
| 2001.05 | 14 | 5,000,000 | 50,000,000 | 32,893,250 | 328,932,500 | Capital increase of NT$50 million in cash. | None | Note 5 |
| 2007.05 | 10 | 1,952,527 | 19,525,270 | 34,845,777 | 348,457,770 | Capital increase of NT$19.53 million from earnings. | None | Note 5 |
| 2002.05 | 10 | 696,916 | 6,969,160 | 35,542,693 | 355,426,930 | Capital increase of NT$6.97 million from capital surplus | None | Note 6 |
| 2002.05 | 10 | 696,916 | 6,969,160 | 36,239,609 | 362,396,090 | Capital increase of NT$6.97 million from earnings. | None | Note 6 |
| 2004.06 | 10 | 2,899,169 | 28,991,690 | 39,138,778 | 391,387,780 | Capital increase of NT$28.99 million from earnings. | None | Note 7 |
| 2005.06 | 10 | 195,694 | 1,956,940 | 39,334,472 | 393,344,720 | Capital increase of NT$1.96 million from earnings. | None | Note 8 |
| 2005.06 | 10 | 978,470 | 9,784,700 | 40,312,942 | 403,129,420 | Capital increase of NT$9.78 million from capital surplus | None | Note 8 |
| 2006.06 | 10 | 688,364 | 6,883,640 | 41,001,306 | 410,013,060 | Capital increase of NT$6.88 million from convertible bond conversion. | None | - |
| 2006.07 | 10 | 4,651 | 46,510 | 41,005,957 | 410,059,570 | Capital increase of NT$46,000 from convertible bond conversion. | None | - |
| 2006.06 | 10 | 2,015,648 | 20,156,480 | 43,021,605 | 430,216,050 | Capital increase of NT$20.15 million from earnings. | None | Note 9 |
| 2007.03 | 10 | 14,634 | 146,340 | 43,036,239 | 430,362,390 | Capital increase of NT$146,000 from convertible bond conversion. | None | - |
| 2007.06 | 10 | 507,314 | 5,073,140 | 43,543,553 | 435,435,530 | Capital increase of NT$5.07 million from convertible bond conversion. | None | - |
| 2007.06 | 10 | 2,151,081 | 21,510,810 | 45,694,634 | 456,946,346 | Capital increase of NT$20.15 million from earnings. | None | Note 10 |
| 2007.08 | 10 | 97,560 | 975,600 | 45,792,194 | 457,921,940 | Capital increase of NT$975,000 from convertible bond conversion. | None | - |
| 2008.06 | 10 | 4,121,298 | 41,212,980 | 49,913,492 | 499,134,920 | Capital increase of NT$41.21 million from earnings. | None | Note 11 |
| 2009.06 | 10 | 2,495,675 | 24,956,750 | 52,409,167 | 524,091,670 | Capital increase of NT$24.95 million from earnings. | None | Note 12 |
| 2011.06 | 10 | 1,048,184 | 10,481,840 | 53,457,351 | 534,573,510 | Capital increase of NT$10.48 million from earnings. | None | Note 13 |

| Year/ Month | Issued price (NT$) | Authorized capital | | Paid-up capital | | Notes | | |
|---|---|---|---|---|---|---|---|---|
| | | Shares | Amount | Shares | Amount | Sources of share capital | Payment in properties other than cash | Others |
| 2012.06 | 10 | 2,672,868 | 26,728,680 | 56,130,219 | 561,302,190 | Capital increase of NT$26.72 million from earnings. | None | Note 14 |
| 2012.07 | 10 | 160,488 | 1,604,880 | 56,290,707 | 562,907,070 | Capital increase of NT$1.604 million from convertible bond conversion. | None | |
| 2012.10 | 10 | 2,360,126 | 23,601,260 | 58,650,833 | 586,508,330 | Capital increase of NT$23.6 million from convertible bond conversion. | None | |
| 2013.01 | 10 | 2,679,106 | 26,791,060 | 61,329,939 | 613,299,390 | Capital increase of NT$26.79 million from convertible bond conversion. | None | |
| 2013.03 | 10 | 6,892,114 | 68,921,140 | 68,222,053 | 682,220,530 | Capital increase of NT$68.92 million from convertible bond conversion. | None | |
| 2013.08 | 10 | 100,000,000 | 1,000,000,000 | 75,495,991 | 754,959,910 | Capital increase of NT$72.74 million from convertible bond conversion. | None | |
| 2013.11 | 10 | 100,000,000 | 1,000,000,000 | 76,152,370 | 761,523,700 | Capital increase of NT$6.56 million from convertible bond conversion. | None | |

Note 1: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated July 3, 1997 referenced (86) Tai-Tsai-Cheng (I) No. 52535.

Note 2: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated September 28, 1998 referenced (87) Tai-Tsai-Cheng (I) No. 82999.

Note 3: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated July 17, 1999 referenced (88) Tai-Tsai-Cheng (I) No. 65574.

Note 4: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated September 28, 2000 referenced (89) Tai-Tsai-Cheng (I) No. 80803.

Note 5: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated May 3, 2001 referenced (90) Tai-Tsai-Cheng (I) No. 119474.

Note 6: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated May 14, 2002 referenced (92) Tai-Tsai-Cheng (I) No. 125961.

Note 7: Approved via the letter from the Securities and Futures Commission, Ministry of Finance dated June 3, 2004 referenced Tai-Tsai-Cheng I No. 0930124621.

Note 8: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 30, 2005 referenced Jin-Guan-Cheng I No. 0940126243.

Note 9: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 29, 2006 referenced Jin-Guan-Cheng I No. 0950127383.

Note 10: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 25, 2007 referenced Jin-Guan-Cheng I No. 0960032749.

Note 11: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 24, 2008 referenced Jin-Guan-Cheng I No. 0970031333.

Note 12: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 23, 2009 referenced Jin-Guan-Cheng I No. 0980031146.

Note 13: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 14, 2011 referenced Jin-Guan-Cheng I No. 1000027189.

Note 14: Approved via the letter from the Securities and Futures Bureau, Financial Supervisory Commission dated June 15, 2012 referenced Jin-Guan-Cheng I No. 1010026844.

## 2. Types of share capital

March 28, 2025/share

| Share category | Authorized capital | | | Notes |
|---|---|---|---|---|
| | Outstanding shares | Unissued shares | Total | |
| Registered common shares | 76,152,370 | 23,847,630 | 100,000,000 | TPEx listed shares |

3. **Information to be disclosed for the offering and issuance of securities under the blanket reporting system: None.**

## (II) List of Major Shareholders:

Base date: March 28, 2025

| Shares / Name of major shareholder | No. of shares held | Shareholding ratio |
|---|---|---|
| TECO Electric & Machinery Co., Ltd. | 10,665,642 | 14.01% |
| Wen-Chi Ko | 4,414,075 | 5.80% |
| En Hong Investment Co., Ltd. | 3,149,000 | 4.14% |
| Dian Jiang Jia Investment Co., Ltd. | 2,841,000 | 3.73% |
| Rung-Pin Yeh | 2,658,418 | 3.49% |
| Qie Lun Investment Co., Ltd.. | 2,558,000 | 3.36% |
| Chung-Kuo Tseng | 2,423,351 | 3.18% |
| Jukun Investment Co., Ltd. | 2,397,000 | 3.15% |
| Wen-Chi Investment Co., Ltd. | 2,229,303 | 2.93% |
| Hong Sheng Investment Co., Ltd. | 1,963,000 | 2.58% |

## (III) Dividend Policy and Execution Status:

### 1. Dividend policy

The industrial environment of the Company is changing, and the Company is in a stable growth stage. The Company will conduct the future capital demand forecast and long-term financial planning, and seek to maximize shareholders' rights and benefits. If there is any surplus after the annual final account, in addition to paying taxes according to laws and regulations, the Company shall first make up for the losses of previous years, and then allocate 10% as the legal reserve, except when the legal reserve has reached the total capital. When our company makes appropriations to the special surplus reserve in accordance with legal requirements, any shortfall in the provision for "Net Increase in Fair Value of Investment Properties Accumulated in Previous Periods" and "Net Decrease in Other Equity Items Accumulated in Previous Periods" should be first set aside from the undistributed earnings in previous periods before profit distribution. If there is still a shortfall, it should be set aside the current undistributed earnings, excluding current net income, by including other items. After the appropriation or reversal of the special surplus reserve as required by laws and regulations, together with the beginning balance of undistributed earnings, it becomes the accumulated distributable earnings for shareholders. The Board of Directors shall prepare a distribution proposal, and when the distribution is made by issuing new shares, it shall be submitted for resolution at a shareholders' meeting before the distribution. The amount of cash and stock dividends distributed shall not be less than 50% of the distributable earnings of the current year, and the cash dividend shall not be less than 10% of the total amount distributed in the current year.

The dividend policy of the Company is determined based on factors such as earnings stability, evaluation of future annual operating development, moderate earnings retention and shareholders' tax burden. In the future, we will take the balanced dividend policy as the goal, which in the long run can protect investors' rights and interests, and control the flow of funds and maintain the Company's image. (The dividend policy over the years was the payment of cash dividend, and the dividend payout rate is more than 70%. For 2023, a cash dividend of NT$2.4 was distributed, with a dividend payout rate of 71%. For 2024, the dividend policy will be a distribution of cash dividend of NT$3.2, and the cash yield is 6.20%).

**2. Proposed dividend distribution at the shareholders' meeting:**

The Company's profit distribution plan for 2024 was approved at the Board of Directors on March 11, 2025 and report to the general shareholders' meeting for recognition.

Unit: NT$

| Cash Dividends | | Stock dividend | |
|---|---|---|---|
| dividend per share | Amount | dividend per share | Amount |
| 3.2 | 243,687,584 | 0 | 0 |

**3. When the dividend policy is expected to be subject to significant changes, explain the situation:** Not applicable.

## (IV) Impact of the Proposed Stock Dividend for the Current Year on The Company's Business Performance and Earnings per Share: Not applicable.

## (V) Remuneration of Employees, Directors and Supervisors:

**1. Percentage or range of employees and directors and supervisors remuneration as stated in the Articles of Incorporation.**

The Company shall distribute employees' remuneration at a rate of 3% to 7%, and directors' remuneration at a rate of no more than 3% based on the profit of the current year. However, the cumulative loss, if any, shall be offset first.

**2. The basis for estimating the remuneration of employees, directors and supervisors in the current period, the basis for calculating the number of shares distributed as employee remuneration, and the accounting treatment for the difference between the actual distribution amount and the estimated amount.**

a. The estimated amount of the Company's employees' bonus and director's remuneration is based on the profit status as of the current period, the percentage range set out in the Articles of Association, and the profit status and performance evaluation results of the current year.

b. The calculation basis of the number of shares paid as employees' remuneration: Not applicable.

c. If there is any difference between the actual distribution amount and the estimated amount, it shall be listed as the next year's profit and loss according to treatment for the change of accounting estimate.

**3. Distribution of remuneration approved by the Board of Directors:**

(1) Amounts of employees' remuneration and directors' and supervisors' remuneration paid in cash or stock. If there is any discrepancy between the recognized expense amount and the estimated amount for the year, the discrepancy, reasons and treatment shall be disclosed:

Unit: NT$

| Item | Amount to be distributed | Estimated amount | Difference | Reason for the difference | Treatment of the difference |
|---|---|---|---|---|---|
| Directors' remuneration | 11,705,696 | 11,705,696 | - | No difference | None |
| Employees' remuneration | 27,313,291 | 27,313,291 | _ | | |

(2) The amount of employees' remuneration distributed by shares, and its proportion to the total after-tax profit and total employees' remuneration in the individual or respective financial report in the current period: Not applicable.

**4. The actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number and amount of shares distributed and the share price); if there is a difference from the recognized remuneration of employees, directors and supervisors, state the differences, reasons and treatment.**

Unit: NT$

| Item | Amount to be distributed | Estimated amount | Difference | Reason for the difference | Treatment of the difference |
|---|---|---|---|---|---|
| Directors' remuneration | 9,745,244 | 9,745,244 | - | No difference | None |
| Employees' remuneration | 22,738,902 | 22,738,902 | - | | |

**(VI)** The Company's repurchase of its own shares: The Company had no such situation as of April 30, 2024.

II. Handling of corporate bonds: None.

III. Handling of preferred shares: None.

IV. Handling of overseas depositary receipts: None.

V. Handling of employee stock option certificates: The Company had no such situation as of April 30, 2025.

V-1. According to Attachment 14-1, disclosure shall be made regarding the status of restricted employee shares that have not yet fully met the vesting conditions as of the annual report publication date, as well as their impact on shareholders' equity: The Company had no such situation as of April 30, 2025.

V-2. According to Attachment 15-1, the names and acquisition details of managers who have obtained restricted employee shares, as well as the top ten employees (by number of shares acquired) as of the annual report publication date: The Company had no such situation as of April 30, 2025.

VI. Handling of new shares issued for merger or acquisition or assignment of shares of other companies: The Company had no such situation as of April 30, 2025.

VII. Implementation of the fund utilization plan, including the plan content and implementation status: The Company has no situation where the issuance has not been completed, or has been completed in the last three years but the planned benefits have not yet been shown.

# Four. Operational Highlights

## I. Business Activities

### (I) Business Scope:

**1. The major businesses of the Group are as follows:**

(1) CB01071 Frozen and Air-Conditioning Equipment Manufacturing
(2) E602011 Refrigeration and Air Conditioning Engineering
(3) CB01010 Mechanical Equipment Manufacturing
(4) E604010 Machinery Installation
(5) F401010 International Trade
(6) JE01010 Rental and Leasing
(7) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.
(8) CA02060 Metal Containers Manufacturing
(9) CB01990 Other Machinery Manufacturing
(10) D401010 Thermal Energy Supply
(11) E599010 Piping Engineering
(12) E601010 Electric Appliance Construction
(13) E601020 Electric Appliance Installation
(14) E603050 Automatic Control Equipment Engineering
(15) E603100 Electric Welding Engineering
(16) EZ15010 Warming and Cooling Maintenance Construction
(17) EZ99990 Other Engineering
(18) I101061 Professional Engineering Consulting
(19) IG03010 Energy Technical Services
(20) A102020 Agricultural Products Preparations

**2. Business proportion of main products:**

Unit: NT$ thousand; %

| Product Type | Sales Performance in 2024 | % of annual sales |
|---|---|---|
| Chiller Unit | 2,097,894 | 57.49% |
| Condenser Unit | 21,415 | 0.59% |
| Maintenance Income | 268,021 | 7.34% |
| Engineering | 336,791 | 9.23% |
| Fan Coil Units and Terminal | 346,930 | 9.51% |
| Others | 493,040 | 13.51% |
| Total | 3,649,379 | 100.00% |

**3. Main products:**

(1) Host and equipment: centrifugal chiller, full liquid chiller, dry-type chiller, water-cooled brine machine, DC variable frequency centrifugal chiller, water source heat pump, air-cooled chiller and heat pump, hot and cold water machine, air source water heater, computer room air conditioner and condenser unit, ventilation equipment, refrigeration equipment, marine equipment, heat exchanger, vacuum freeze dryer, ice storage tank, ice maker, and condenser automatic washing machine.

(2) System engineering integration: planning, design and construction of refrigeration system, monitoring system, planning, design and construction of ice storage system, computer room air conditioning, chiller equipment preservation service, and project management.

**4. New products planned to be developed:**

(1) Key technology and verification development of magnetic levitation centrifuge chiller.
(2) Development of microcomputer human-machine.
(3) Development of energy saving products for refrigeration and air conditioning.
(4) Development of large chiller units with high efficiency.
(5) Refrigeration equipment.
(6) Development of low ODP and GWP.

## (II) Industry Overview:

**1. Current industry status and future prospects**

(1) Current industry status

The refrigeration and air conditioning industry is a high-tech industry that combines the fields of machinery, electrical machinery, electronics, meteorology, chemistry and so on. Because the products have the functions of regulating the humidity and temperature in the indoor air, air exchange and sterilization, they have a wide and deep application field. They are common equipment in ordinary families and necessary items for buildings; some are peripheral support in industrial production, and some are the process itself. Therefore, it is an important livelihood industry to meet modern human needs, and also the advanced engineering technology to support industrial development. In addition to relying on precision technology, the high-precision semiconductor factory, wafer factory, biochemical technology and other related industries are quite strict with the temperature, humidity and cleanliness offered by air conditioners. Therefore, the so-called "refrigeration and air conditioning industry" is the mother of precision industry, which is a fact. Its development and application also play a key role in the development stage of the national economy.

The Group is a professional manufacturer of chiller units for central air conditioning systems. The chiller units are composed of motors, compressors, heat exchangers and refrigerant expansion devices, and are the main products to support the central air conditioning system. The central air conditioning system is an integrated system, which will affect the energy consumption of the air conditioning system from the building structure, air conditioning load calculation, selection of air conditioning systems and equipment, planning and design of indoor space and air supply system, system installation and configuration, and subsequent operation and maintenance. The largest energy-consuming equipment in the air conditioning system is chiller, accounting for about 60%, so its efficiency will affect the overall air conditioning's operation efficiency. Chiller units are widely used in office buildings, hospitals, banks, airports, theatres, department stores, supermarkets, hotels, stadiums and other large business places, as well as in manufacturing, construction cement industry, clean rooms, telecommunications rooms, food processing and other industrial processes. They can be divided into centrifugal, spiral, reciprocating and scroll types according to the type of the compressor; if categorized by a condenser, they can be divided into water cooled, air cooled and evaporative cooling types; if categorized by an evaporator, they can be divided into dry expansion and full liquid types.

In the 50s and 60s, Taiwan was at the stage of industrial take-off. The government vigorously tutored and nurtured relevant industries, and the domestic industry and commerce were well developed; the construction industry was booming, and office buildings were everywhere, which prompted a high demand for air-conditioning systems and equipment. Since the 80s, the domestic refrigeration and air-conditioning industry made a considerable progress in manufacturing technology, design and construction capacity, and people pay more attention to the quality of living environment because of the substantial increase in national income. Therefore, the growth of refrigeration and air-conditioning products was considerable, and reached the peak in 1995 and 1996. With the change of the environment and the transformation of the industry, the application of chiller units now covers all aspects of human life, including food, clothing, housing, transportation and entertainment. In response to the trend of environmental protection and energy consumption reduction, intelligent technology has been developed to improve the responsiveness, avoid energy consumption, and rationalize the maintenance cycle and cost of equipment by monitoring the power consumption, operation and maintenance of ice water host equipment in real-time for the concrete achievements in smart green buildings.

Global demand for air conditioners has been expanding in recent years: Rising temperatures and humidity levels around the world and growing awareness of air conditioners as a public utility rather than a luxury item are expected to drive significant growth in the air conditioner business. The growing demand for air conditioning in office buildings, retail spaces, healthcare facilities, data center AI rooms, and manufacturing plants is driving the market growth as companies prioritize employee comfort, productivity, and equipment cooling. The government puts effort into improving energy efficiency and reducing greenhouse gas emissions through regulations, incentives, and energy efficiency standards that encourage the adoption of energy-efficient air conditioning systems, which in turn drives the market demand. Overall, the market growth not only comes from climate change and increased basic demand, but is also driven by industrial technology upgrades and policy-driven. In the future, high efficient energy-saving and intelligent will become the mainstream of the market, promoting the further development of the refrigeration and air-conditioning industry.

Looking ahead to 2025, the global economy faces many risks and uncertainties, similar to the situation in 2024. Although overall growth has stabilized, economic performance among regions has diverged significantly due to multiple challenges. Among them, the impact of Trump's 2.0 policy in the United States, the constraints on China's economy due to weak domestic demand and structural problems, as well as geopolitical and climate change factors will all affect the international economic outlook.According to the data of the Department of Statistics, the Ministry of Economic Affairs, the sales value of the central air-conditioning system reached NT$3,221.58 million in 2024, showing a growth of 12% compared to the same period in 2023 when it was NT$2,876.48 million. Driven by the steady growth of market demand, it is estimated that the output value of central air-conditioning systems in Taiwan will rise steadily in 2025.

Statistics of Annual Sales Volume and Sales Value of Central Air-Conditioning System

| Year | Sales volume (unit) | Growth Rate (%) | Sales value (NT$10 thousand) | Growth Rate (%) |
|---|---|---|---|---|
| 2001 | 7,171 | (21.60) | 138,819 | (18.60) |
| 2002 | 6,315 | (11.94) | 120,583 | (13.14) |
| 2003 | 7,712 | 22.12 | 167,235 | 38.69 |
| 2004 | 11,308 | 46.63 | 232,808 | 39.21 |
| 2005 | 11,387 | 0.70 | 236,917 | 1.76 |
| 2006 | 13,507 | 18.62 | 253,071 | 6.82 |
| 2007 | 11,837 | (12.36) | 204,611 | (19.15) |
| 2008 | 12,339 | 4.24 | 236,874 | 15.77 |
| 2009 | 9,143 | (25.90) | 197,979 | (16.42) |

| Year | Sales volume (unit) | Growth Rate (%) | Sales value (NT$10 thousand) | Growth Rate (%) |
|---|---|---|---|---|
| 2010 | 11,597 | 26.84 | 248,020 | 25.28 |
| 2011 | 10,198 | (12.06) | 264,581 | 6.68 |
| 2012 | 8,605 | (15.62) | 256,706 | (2.98) |
| 2013 | 9,674 | 12.42 | 255,771 | (0.36) |
| 2014 | 9,183 | (5.08) | 275,138 | 7.57 |
| 2015 | 10,596 | 15.39 | 321,372 | 16.8 |
| 2016 | 8,725 | (17.66) | 296,949 | (7.60) |
| 2017 | 8,222 | (5.77) | 287,352 | (3.23) |
| 2018 | 7,731 | (5.97) | 271,226 | (5.61) |
| 2019 | 7,325 | (5.25) | 238,649 | (12.01) |
| 2020 | 6,977 | (4.75) | 225,258 | (5.61) |
| 2021 | 6,625 | (5.05) | 223,479 | (0.79) |
| 2022 | 7,459 | 12.59 | 265,098 | 18.62 |
| 2023 | 7,707 | 3.32 | 287,648 | 8.51 |
| 2024 | 7,561 | (1.89) | 322,158 | 12.00 |

Note: Source: Department of Statistics, the Ministry of Economic Affairs

(2) Development trend

The global air conditioning equipment is facing an unprecedented revolution in recent years. Under the dual requirements of energy saving and environmental protection, the development and application of energy saving, high efficiency and alternative refrigerant will become the most important topic of the air conditioning industry. In the future, as the air conditioning products and technologies are gradually developing towards the directions of complexity, multi-function, environmental protection and energy saving, the industry will strengthen frequency conversion control, compressor manufacturing, high efficiency heat exchanger, comfortable airflow distribution, air quality control, new refrigerant technology and other key components and equipment manufacturing technologies of air conditioning systems. In addition, in order to meet the air conditioning environment required by high-tech industries, dust-free clean room environmental control and information technology will be the main development priorities.

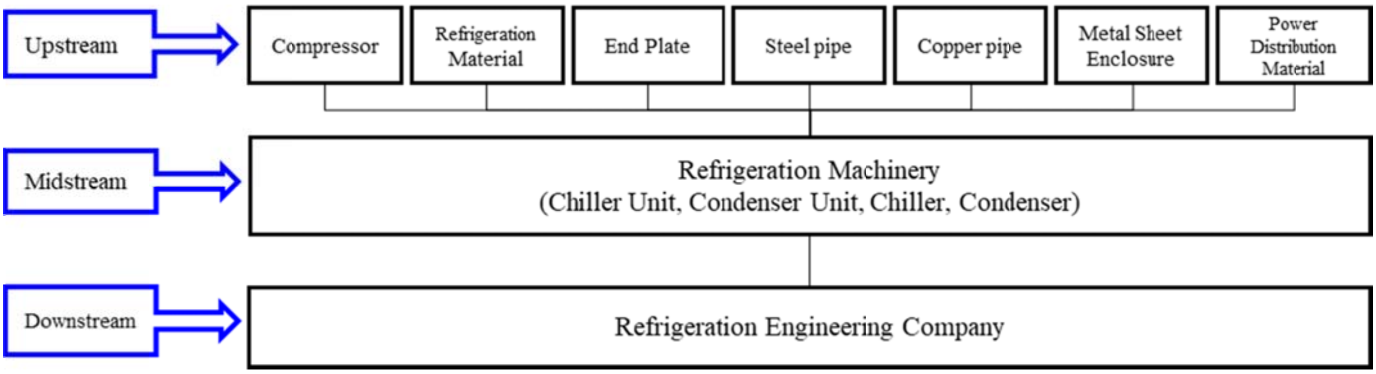
In terms of chiller units for central air conditioning, due to the lack of water or poor water quality in some parts of Taiwan, the condenser and cooling water tower of water-cooled ice water units have serious scaling, which has led to the development trend of air-cooled chiller units, and the refrigeration capacity is also towards large-scale development, while the performance and efficiency of spiral compressors required for chiller units are still equivalent to those of large foreign manufacturers. Looking forward to the development of the global magnetic levitation centrifugal refrigerant compressor, Taiwan's supply chain of magnetic levitation centrifuges has decided to actively participate by launching the industry's energy project R&D plan, and the commercial model has been completed in 2022. The magnetic levitation centrifugal chiller has the advantages of high partial load efficiency, low vibration noise, environmental protection and oil-free, low maintenance requirement, and intelligent operation. It is a new generation of machines that have been fully developed by large chiller plants around the world, and is currently in a rapid growth period.

It is imperative to change the environmental protection refrigerant, and due to the high price of new environment-friendly refrigerants, the price of chiller units with new environment-friendly refrigerants is higher than traditional models. However, the demand for new environment-friendly refrigerant units will be very considerable in the future, making the market tend towards the new refrigerant units.

In terms of sustainable development, the Group has aligned itself with global standards, actively transitioning to high-efficiency and energy-saving units while obtaining energy efficiency certifications. Additionally, the company has incorporated a carbon levy mechanism into its operational strategy to promote internal emission reductions and environmental investments. The Company has also set a long-term development goal to achieve net-zero emissions by 2050, ensuring the Company's operations align with environmental sustainability. To achieve these goals, the Company is actively researching new refrigerants (low GWP) and gradually completing the development of low GWP models to enhance energy efficiency.

**2. Relationship among the upstream, midstream, and downstream of the refrigeration and air conditioning manufacturing industry**

The upstream of the refrigeration and air conditioning industry mainly consists of suppliers of components such as compressors, refrigeration materials, end plates, iron pipes, copper pipes, distribution boxes and distribution materials. Since the domestic manufacturing technology and mass production scale of key components cannot match those of foreign manufacturers, most components must rely on foreign imports. The midstream is the refrigeration machinery manufacturer of the Company's chillers and refrigeration units that make up the central air-conditioning system. As for the downstream, there are refrigeration engineering companies responsible for installing and maintaining central air-conditioning systems. As Taiwan's central air-conditioning industry is gradually moving towards a system of separation of production and sales, refrigeration engineering companies are responsible for facing end users to ensure the quality of construction and maintenance. In general, since office buildings, commercial plazas, high-tech factories, etc. all need to use central air-conditioning systems to regulate the air temperature and create a comfortable working and living environment, their demand is closely related to the prosperity of the economy, public works and real estate.




**3. Product development trend**

(1) The construction of super-high buildings is one of the development focuses of high-efficiency chiller units.

(2) With the rising awareness of environmental protection, energy conservation and power limitation crisis, the demand for high-efficacy, high-tech and high-efficiency ice storage machines and ice storage air-conditioning equipment utilizing off-peak electricity will become the mainstream.

(3) In our country, the rapid industrial upgrade, continuous improvement of quality, and the creation of product added value have become inevitable trends in the development of various industries, including agriculture, forestry, fisheries, and animal husbandry.

(4) Due to the power shortage crisis, the concept of virtual power plant has been developed recently. The intelligent host (IOT controller and IOT firewall device) can receive the unloading instructions of the air conditioning DR unloading cloud platform (www.abridr.tw) (less than 2 seconds) or the cloud platform designated by the Executive Yuan and start to unload. The host unloading capacity can save more than 30% energy. The small capacity that can cooperate with the demand response breaks through the restrictions of participating in the financial model and physical equipment model of the independent power dispatching center, and can flexibly define the virtual power plant at any level of grid type and geographical entity location.

(5) In response to the demand for environmental protection and the trend of low ozone depletion potential (ODP) and global warming potential (GWP) refrigerants, the Company is actively seeking next-generation alternative refrigerants to develope new refrigerant (low ODP, low GWP) units.

**4. Competition**

The Group mainly produces central system chiller units. At present, the domestic manufacturers of chiller units have been listed except for Teco, Tatung, ZTE and other companies. Hitachi, Trane, Daikin and Taiwan Carrier are foreign-funded companies, and Super Ari Condition, Leading, Yangfan and Guo Hsiang are domestic manufacturers. However, among these listed companies and publicly issued companies, the sales of chilled water units account for a relatively low proportion of their overall operating income; China is a huge and important market for chiller units; in addition to the aforementioned Taiwanese businesses and international giants, there are also well-known local companies and manufacturers such as Haier, Midea, Gree and Vatti. The competition among these players is even more intense. Our plant in Vietnam has the advantages of local manufacturing and after-sales service because of local manufacturing. Recently, Chinese manufacturing giants have been aggressively entering the Taiwanese and Southeast Asian markets using low-cost strategies, intensifying the competition even further.

The market share of the Company's central-system chiller units is as follows:

Unit: NT$ thousand; %

| Item / Year | Sales amount of Kuen Ling | National sales amount | Market share |
|---|---|---|---|
| 2001 | 543,331 | 1,388,193 | 39.14% |
| 2002 | 613,931 | 1,205,827 | 50.91% |
| 2003 | 794,217 | 1,672,355 | 47.49% |
| 2004 | 883,135 | 2,328,080 | 37.93% |
| 2005 | 797,701 | 2,369,173 | 33.67% |
| 2006 | 837,116 | 2,530,714 | 33.08% |
| 2007 | 779,487 | 2,046,115 | 38.10% |
| 2008 | 920,115 | 2,368,742 | 38.84% |
| 2009 | 645,023 | 1,979,791 | 32.58% |
| 2010 | 880,668 | 2,480,196 | 35.51% |
| 2011 | 957,910 | 2,645,807 | 36.20% |
| 2012 | 1,010,614 | 2,567,058 | 39.37% |

| Item / Year | Sales amount of Kuen Ling | National sales amount | Market share |
|---|---|---|---|
| 2013 | 931,269 | 2,557,709 | 36.41% |
| 2014 | 1,057,991 | 2,751,384 | 38.45% |
| 2015 | 1,192,702 | 3,213,715 | 37.11% |
| 2016 | 1,178,679 | 2,969,488 | 39.69% |
| 2017 | 1,191,441 | 2,873,523 | 41,46% |
| 2018 | 1,210,621 | 2,712,255 | 44.64% |
| 2019 | 891,364 | 2,386,489 | 37.35% |
| 2020 | 853,405 | 2,252,577 | 37.89% |
| 2021 | 831,307 | 2,234,786 | 37.20% |
| 2022 | 1,076,858 | 2,650,981 | 40.62% |
| 2023 | 1,016,073 | 2,876,483 | 35.32% |
| 2024 | 1,314,570 | 3,221,584 | 40.81% |

Source: The national total sales amount is based on the monthly report of industrial production statistics of the Department of Statistics of the Ministry of Economic Affairs.

Note: The above-mentioned sales amount of the Company includes ODM and OEM. The sales statistics is based on the individual sales data of Kuen Ling.

The competitive advantages of our products lie in the complete range of products, comprehensive data of design drawing library, excellent quality and rapid delivery.

## (III) Technology and R&D Overview

### 1. R&D expenses

Unit: NT$ thousand

| Year / Item | 2023 | 2024 |
|---|---|---|
| R&D Expenses | 68,909 | 69,994 |
| Net Revenue | 3,476,588 | 3,649,379 |
| Percentage of Net Revenue | 1.98% | 1.92% |

### 2. Technologies or products successfully developed

| Year | Technologies or products successfully developed |
|---|---|
| 1999 | 1. Development of the corrosion-resistant air-cooled chiller unit.<br>2. The chiller originally used 1/2 "copper pipe instead of 3/8" copper pipe, the two front and rear refrigerant-end covers were changed to one, and the copper pipe was changed from a straight shape to U-shaped. |

| Year | Technologies or products successfully developed |
|---|---|
| 2000 | 1. Research on the performance of shell-and-tube heat exchanger and plate-fin heat exchanger.<br>2. The design and manufacturing of full liquid-type central air conditioning chiller units<br>3. Development of environment-friendly low-noise fans. |
| 2001 | The development of environmentally friendly refrigerant new models has been completed. |
| 2002 | High EER air-cooled chiller box machines for computer rooms. |
| 2003 | R-407C refrigerant air-cooled chiller single crystal control circuit. |
| 2004 | Air-cooled full-liquid chiller. |
| 2005 | Centrifuge 650RT. |
| 2006 | 1. Two-stage centrifuge 500RT.<br>2. Development of the environment-friendly refrigerant R-410A chiller unit. |
| 2007 | Vacuum freeze dryer. |
| 2008 | Development of integrated refrigeration unit. |
| 2009 | Development of spraying chiller unit. |
| 2010 | Development of tube ice machine unit. |
| 2010 | Development of water cooled heat pump defrosting condensing unit. |
| 2011 | Development of evaporative cooling-type chiller unit. |
| 2012 | Low temperature water source heat pump unit. |
| 2012 | Development of the open-type brine unit. |
| 2012 | Cold and hot double-effect energy-increasing unit. |
| 2012 | Integrated ground-source heat pump unit. |
| 2013 | Development of the 30 "fan blade. |
| 2013 | High-efficiency full-liquid air-cooled heat pump unit. |
| 2014 | Development of the two-stage vortex high-temperature heat pump system. |
| 2015 | Explosion-proof brine unit. |
| 2016 | Semi-contact freezing unit (SCF). |
| 2017 | Container express depot. |
| 2018 | Air-cooled DC variable frequency condensing unit. |
| 2019 | Development of the agricultural unhusked rice drying and sludge dryer. |
| 2020 | Smart host (IOT controller and IOT firewall device) |
| 2021 | Localized magnetic levitation centrifugal unit, Kuen Ling microcomputer human-machine. |
| 2022 | DC Inverter box type unit, localization of magnetic levitation centrifugal units |

| Year | Technologies or products successfully developed |
|---|---|
| 2023 | China Steel DC frequency conversion box type machine,<br>"Zero Tolerance" COP≧7.1, energy efficiency level 1 domestically produced maglev centrifuge unit |
| 2024 | Low greenhouse effect refrigerant R1234ze (GWP=1) magnetic levitation chiller, R513A (GWP=573) environment-friendly refrigerant magnetic levitation chiller |

## (IV) Long and Short-Term Business Development Plans

### 1. Short-term plans

(1) Diversifying product portfolio: To meet market demands and development trends, the company is promoting the development of high-efficiency DC frequency conversion centrifugal chiller units, spiral full liquid chiller units, and air-cooled chiller for the refrigeration and air conditioning market. The sales of supporting equipment such as water chillers and condensers are continuously growing, allowing the company to achieve a diversified product portfolio.

(2) Strengthening the marketing of energy conservation and environmental protection products: In response to the demand of customers for energy efficiency improvement and the trend of world environmental protection, actively expand the market of environment-friendly refrigerants, centrifugal chiller unit, full liquid chiller unit and other high energy efficiency machines.

### 2. Long-term plans

(1) Marketing strategies:

A. Establishing overseas marketing bases: Under the government's established policy of vigorously promoting liberalization and internationalization, the domestic market will be more open in the future. The Company is sensitive to the changes in the industrial environment, will be committed to the establishment of overseas business bases, and will strive to increase export sales, in order to seek space for development in the international market.

B. Establishing strategic alliances with well-known manufacturers: Actively seeking opportunities for technical cooperation with well-known equipment manufacturers at home and abroad to improve the image of our products and acquire the most advanced technology.

(2) Expanding overseas production bases based on the consideration of the economic scale and labor costs, in order to reduce production and transportation costs, and then improve the Company's market competitiveness.

(3) The products of the Group are high-priced goods, so customers have high requirements for quality and after-sales service. Vertically integrate the supply chain ensures that the quality is free of concern, and provide customers with complete installation, maintenance, and real-time monitoring of energy management services, and improve revenue and profit by integrating the upstream and downstream.

(4) The Group actively develops its products at multiple levels, in combination with the development of agriculture and fishery, such as the mushroom growth system, low temperature freezing treatment of fishery, cold drink preservation of vegetables and fruits, and meat processing and freezing preservation, in order to reduce production costs and raw material inventory, and make future maintenance fast and convenient, which will effectively promote the Company's popularity and profit increase.

# II. Market and Sales Overview

## (I) Market Analysis

### 1. Areas where the Company's main products (services) are sold (provided)

The Group is a professional manufacturer of chiller units and condensing units, and its products are mainly sold to ODM and OEM customers and refrigeration and air-conditioning engineering companies. Because Taiwan is located in the subtropical zone, and building development is an inevitable trend, the demand for the central air-conditioning system is relatively urgent. In addition, the products provided by the Group are highly recognized by domestic large manufacturers in terms of quality, delivery time, price and service As a result, the Group has predominantly focused on the domestic market for a long time. In recent years, in response to the needs of customers to set up factories overseas, the Company has actively set up factories in Vietnam and mainland China in order to pursue the goal of product internationalization and become the first brand in the Chinese circle.

| Year / Area | 2023 | 2024 |
|---|---|---|
| Taiwan | 56.54% | 68.21% |
| Mainland China | 41.70% | 28.66% |
| Vietnam | 1.45% | 2.63% |
| Other Southeast Asia Region | 0.31% | 0.50% |
| Total | 100% | 100% |

### 2. Market share

Unit: set; %

| Year / Central System Chiller | 2023 | 2024 |
|---|---|---|
| Kuen Ling Company | 1,776 | 2,061 |
| Percentage of total national sales volume | 23.04% | 27.26% |
| Total national sales volume | 7,707 | 7,561 |

Unit: NT$ thousand; %

| Year / Central System Chiller | 2023 | 2024 |
|---|---|---|
| Sales value of Kuen Ling Company | 1,016,073 | 1,314,570 |
| Percentage of total national sales value | 35.32% | 40.81% |
| Total national sales value | 2,876,483 | 3,221,584 |

Note 1: The national total sales amount is based on the monthly report of industrial production statistics of the Department of Statistics of the Ministry of Economic Affairs.

Note 2: The Company's sales volume includes its own brands, ODM and OEM.

**3. Future market supply, demand and growth**

Refrigeration and air conditioning equipment, including various types of chiller units, hot and cold water machines, condensers, chillers, oil coolers, ice makers, industrial heat exchangers, and specialized condensers for ships, are designed to meet the demand for refrigeration and air conditioning in various applications. With robust economic growth, rapid industrial upgrading, and a significant increase in per capita income, commercial and industrial activities have become more frequent. This has led to an increased demand for a wide range of refrigeration units for industrial, commercial, and residential purposes. The industry is evolving towards high efficiency, high stability, and high technology to meet these demands.

**◎Domestic and international economic situation**

In 2024, global economic growth is expected to remain stable but lower than expected. According to the International Monetary Fund (IMF)'s October 2024 World Economic Outlook report, global economic growth is expected to be 3.3%, the same as in 2023. However, while the US economic forecast was revised upward, major European economies faced downward revisions. Growth in emerging market and developing economies is also affected by geopolitical tensions, conflicts, and extreme weather events.

Global trade showed signs of recovery in early 2024, it is still challenged by supply chain restructuring, trade protectionism and geopolitical risks.

The United Nations Conference on Trade and Development (UNCTAD) pointed out that the slowdown in global trade may limit the potential for global economic growth, while the Organization for Economic Cooperation and Development (OECD) report also mentioned that inflation and high interest rate environment may continue to affect corporate investment and consumer spending.

Although geopolitical instability, conservative economic prospects between the United States and China, and Trump's new policies may increase global trade barriers and affect the strength of manufacturing demand; domestic manufacturing demand is still expected to grow thanks to the recovery of demand in downstream industries such as machinery and metal products, as well as the steady growth of demand for emerging applications such as AI, semiconductors, electric vehicles and renewable energy. The expansion of capital expenditure in the global electronics industry has led to an increase in orders for semiconductor equipment, and the stable economy in the ASEAN region is also expected to boost the scale of machinery and equipment procurement in my country. In addition, the US Federal Reserve's interest rate cuts will reduce corporate financing costs, helping to increase manufacturers' willingness to invest. However, China's promotion of import substitution for machinery and equipment and suspension of some products on the ECFA Early Harvest List have put pressure on exports of related industries in my country.

◎**Future Prospects**

Looking ahead, the global economy will still face many uncertainties, such as Trump's new policies, the monetary policy directions of central banks of various countries, China's economic stimulus policies, and domestic investment momentum. Therefore, according to the latest forecast results of the Taiwan Institute of Economic Research, the domestic economic growth rate in 2025 will be 3.42%, which is 0.27 percentage points higher than the previous forecast.

Finally, in terms of prices, global inflation pressure continued to ease and domestic inflation also showed a slow downward trend. However, uncertainties such as climate change, labor shortages, and geopolitical risks still exist, which are expected to limit the speed of inflation cooling. Therefore, the CPI growth rate is predicted to be 1.95% in 2025, which is 0.08 percentage points higher than the previous forecast. In terms of exchange rates, although economic fundamentals support the appreciation of the New Taiwan dollar, the pace of interest rate cuts by the Federal Reserve has slowed down compared to financial market expectations. In addition, after Trump took office, trade policy uncertainty has increased significantly. Asian currencies have been under pressure to depreciate due to the strength of the international dollar, and the New Taiwan dollar has also followed the depreciation of Asian currencies. Therefore, it is estimated that the average New Taiwan dollar will be 32.34 TWD to 1 USD in 2025, a depreciation of 0.94 TWD from the previous forecast.

China's current real estate policy is mainly focused on destocking. As inventory is at a historical high, adjustments will still take time. It is expected that real estate development and investment will remain weak in 2025. In the short term, policies to reduce home purchase costs may boost transaction volumes, but medium- and long-term stability and recovery in the housing market will still depend on improvements in the economy and people's income expectations. If China's housing market shows no signs of stabilizing in the future, it may lead to overproduction of steel, cement, and construction machinery, which will then be dumped in large quantities in other countries, triggering trade frictions and adversely affecting some industries in Taiwan. Given that the long-term effectiveness of China's short-term stimulus policies remains in doubt, this has also become one of the uncertainties in Taiwan's economy in 2025.

Based on the analysis above, economic forecasting has always been challenging because many factors that disrupt the economy are difficult to quantify. Examples include trade wars, climate change, geopolitics, supply chain shifts, and the policy direction of new governments in many countries in 2025, and monetary policy adjustments in major countries, etc. These factors may have a significant impact on the global and Taiwanese economies. Therefore, with an attitude of "three parts optimism and seven parts prudence", companies and investors should pay close attention to international economic developments and adjust strategies on time to ensure that remaining competitive amid global economic changes.

Sales volume forecast and the basis

Unit: set

| Main product | Estimated sales volume in 2025 |
|---|---|
| Chiller Unit | 2,511 |

Based on the overall production capacity and estimated contract orders of this year, the Group estimated that the shipment volume in 2025 will be higher than the sales volume in 2024, mainly due to the high proportion of large energy-saving and high-efficiency units in the estimated sales category in 2025.

**4. Favorable and unfavorable factors of the development prospect and countermeasures**

(1) Niche of the Company’s competitiveness

The Group has mature production technology and stable quality, and can accurately grasp the market information of components required for products and maintain good relationships with suppliers. In addition, we continue to add various testing equipment, strengthen quality control accuracy, and focus on process control to ensure product stability. The Group's Kaohsiung plant, Shanghai plant and Suzhou plant and Vietnam plant all have obtained ISO-9001 quality certification and can provide the energy efficiency and energy conservation marque. It reflects the Company's emphasis on quality assurance, energy conservation and environmental protection.

(2) Favorable factors of the development prospect

A. Active development of high value-added and diversified products:

Our manufacturing process is flexible, and we can develop new products at any time to meet the needs of the market. At present, we have developed and integrated super-large chiller units, fully frozen ice storage tanks, vacuum freeze dryers, condensers, chiller heat pumps, centrifugal chiller units, condenser automatic washing machines, chiller equipment preservation services, air conditioning boxes, ventilation fan terminal, etc. to make the Company's product series more complete.

B. Quality internationalization:

Due to the improvement of the living standard of the country in recent years, consumers have new consumption consciousness with the change of the social pattern, and higher requirements for power saving, quietness, dehumidification, etc. The Company, in line with the quality internationalization strategy, follows the ISO quality control strategy, keeps abreast of the market situation at any time, guarantees 100% of the quality of the ex-factory products, and pays attention to pre-sale planning and after-sales service, so as to make the development and positioning of the products forward-looking.

C. Reduction of production costs and improvement of competitiveness:

We take high quality as the priority for our products, so the product stability is better than that of other brands, and the product life is longer. In addition, we also take specialization and standardization as the production goal, and improve the degree of automation to reduce production costs and enhance competitiveness.

(3) Unfavorable factors of the development prospect and countermeasures

A. The cost of imported raw materials is subject to fluctuation due to the change in exchange rates.

Imported compressors, which are the main raw materials, account for about 10% of the operating costs, and are subject to fluctuation due to the change in exchange rates.

Countermeasures:

a. Pay attention to the change of exchange rates and interest rates at any time and take necessary hedging measures.

b. Increase the purchase proportion of domestic raw materials.

c. The Company has maintained a good long-term relationship with all major suppliers, and the supply of all raw materials is normal. The Company also actively develops other sources of raw material supply to diversify procurement risks.

B. High R&D costs:

In order to improve the technical level, it is necessary to invest a large amount of research and development expenses, resulting in an increase in operating costs.

Countermeasures:

a. Strengthen long-term technical cooperation with major domestic and foreign professional manufacturers to reduce R&D costs.

b. Cooperate with professional institutions and universities in development to shorten the development time and make new products enter the market quickly to create profits.

c. The Company also attaches great importance to the training of R&D and engineering personnel to ensure the technology of the R&D team and enable the Company to operate sustainably.

C. Increasing labor costs:

As the living standard of Taiwanese people continues to improve, the labor cost is correspondingly rising.

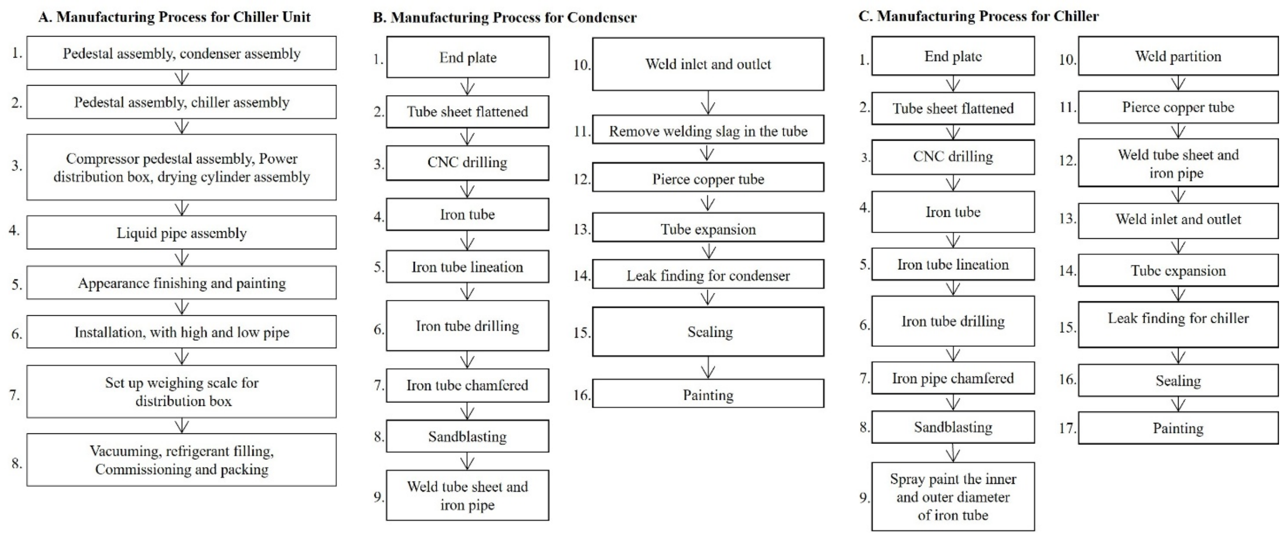
Countermeasures: Develop the production mode towards automation as much as possible, and improve the production process to reduce the production hours and production costs.

## (II) Important Applications and Production Processes of Main Products

### 1. Important applications of main products

| No. | Product name | Applications |
|---|---|---|
| 1 | Spiral type chiller unit | It is the exclusive advanced and efficient refrigeration function of refrigeration and air conditioning machinery. |
| 2 | Centrifugal chiller unit | It is the exclusive advanced and efficient refrigeration function of large refrigeration and air conditioning machinery. |
| 3 | Full-liquid chiller unit | It is the exclusive advanced and efficient refrigeration function of refrigeration and air conditioning machinery. |
| 4 | Open-style chiller unit | It is the exclusive advanced and efficient refrigeration function of refrigeration and air conditioning machinery. |
| 5 | Semi-hermetic chiller unit | It is the function of more economical refrigeration and air conditioning. |
| 6 | Air-cooled chiller unit | It uses air cooling as the refrigeration function of refrigeration and air conditioning for places with insufficient water supply. |
| 7 | Semi-hermetic condensing unit | It is specially used for refrigeration equipment. |
| 8 | Condenser. | It is the exclusive cooling function of refrigeration and air conditioning machinery. |
| 9 | Chiller | It is the exclusive refrigeration function in refrigeration and air conditioning machinery. |
| 10 | Pump cooler | It is the exclusive oil pressure cooling function in refrigeration and air conditioning machinery. |
| 11 | Ice making equipment | It is specially used for keeping fresh vegetables of fishing boats and farmers and fishermen of ice factories. |
| 12 | Cold and heat exchanger for industrial chemical industry | It is a special cold and heat exchange function used in the industrial chemical industry. |
| 13 | Freezing ice storage tank | It is exclusively applicable to all types of ice storage engines, such as spiral, centrifugal, reciprocating or scroll ice storage engines. |
| 14 | Vacuum drying and freezing machine | It is exclusively applicable to food and health food processing and biochemical technology. |

## 2. Production process of main products




# (III) Supply of Major Raw Materials

The Group mainly produces chiller units and refrigeration units. The chillers and condensers required for the products are manufactured by each respective company, or manufactured and supplied by Kuen Ling Suzhou, while the compressors, refrigeration materials, sheet metal outer boxes, end plates, iron pipes and copper pipes are purchased from domestic and foreign manufacturers. Since the main suppliers are well-known manufacturers, the quality level is quite high, and the procurement sources are scattered. We maintain a good cooperation relationship with all suppliers, so there is no shortage of supply sources.

| Main Raw Materials | Main Suppliers | Main Sources | Supply Status |
|---|---|---|---|
| Compressor | Fusheng, Copeland, Bitzer, Hanbell, Danfoss | At home and abroad | Procurement based on seasons and additional purchases based on order status |
| Copper tube | Longda, MEGATREND, Kung Chen, Chung Cheng, Hsin Tai Tong | At home and abroad | Procurement based on seasons and additional purchases based on order status |
| Chiller and condenser | Self-made, Kuen Lin Suzhou | Abroad | Purchase quarterly |
| Cooling coil | Karo's, Chung Chen, Mega Tank, Invax System | At home and abroad | Purchase to order |
| Sheet metal outer box | Feng-Hou, Feng Yuh | At home | Purchase to order |

## (IV) List of Major Purchasing Customers in the Last Two Years

1. Major suppliers of more than10% in the last two years

Unit: NT$ thousand

| Item | 2023 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | Name | Amount | Percentage of the net purchase of the year (%) | Relationship with the issuer | Name | Amount | Percentage of the net purchase of the year (%) | Relationship with the issuer |
| 1 | Danfoss | 167,708 | 8% | None | Danfoss | 213,392 | 12% | None |
| 2 | Vicker | 141,291 | 7% | None | Chung Chen | 150,636 | 8% | None |
| 3 | Fusheng | 135,479 | 6% | None | Hsin Tai Tong | 128,389 | 7% | None |
| 4 | Chung Chen | 124,286 | 6% | None | Fusheng | 123,986 | 7% | None |
| 5 | Others | 1,521,445 | 73% | None | Others | 1,218,616 | 66% | None |
| Net purchase (Note) | | 2,090,209 | 100% | — | Net purchase | 1,835,019 | 100% | - |

Note: Decrease in 2024 compared with 2023; mainly due to the decrease in demand for terminal product revenue growth, resulting in a reduce in procurement costs.

2. Major customers of more than10% in the last two years: None

## III. Information of Employees in the Last Two Years

| Year | | 2023 | 2024 | As of March 31, 2025 |
|---|---|---|---|---|
| Employee count | Clerk | 326 | 310 | 313 |
| | Operator | 256 | 274 | 262 |
| | Total | 582 | 584 | 575 |
| Average age | | 38.9 | 40.7 | 41.4 |
| Average years of service | | 10.2 | 11.8 | 12.6 |
| Academic background (%) | Doctoral Degree | 0.13% | 0.14% | 0.14% |
| | Master's degree | 1.33% | 1.37% | 1.44% |
| | University/professional school | 41.87% | 40.22% | 39.95% |
| | Senior high school | 49.19% | 41.08% | 40.16% |
| | Below senior high school | 7.47% | 17.19% | 18.32% |

## IV. Contribution to Environmental Protection

(1) The total amount of losses and penalties incurred by the company due to environmental pollution in the most recent year and up to the date of publication of the annual report:

In the most recent year and up to the date of publication of the annual report, the Group has not suffered any losses or been subject to any penalties due to environmental pollution.

(2) Future response measures and possible expenditures

In the future, the Group will continue to follow the requirements of ISO 14001, conduct environmental impact assessments and improvements, and implement environmental management measures within itself. Since the products are mainly assembly types and do not directly generate pollution or waste, future expenditures will focus on improving the environmental management system to support sustainable resource use and waste reduction.

(3) Integration of environmental protection work and ISO 14001

The Group's main factories and production equipment are located in Tzukuan District, Kaohsiung City, Wujiang Economic and Technological Development Zone, Jiangsu, China, and Xinde Industrial Park, Dehe County, Long An Province, Vietnam. The Group systematically manages environmental protection work in accordance with the ISO 14001 environmental management system. Environmental impact assessments are conducted regularly every year and improvements are made in accordance with standard requirements. When environmental issues are identified, we initiate corrective actions in accordance with ISO 14001 to ensure compliance with environmental regulations and to continuously improve environmental performance.

Through this system, the Group not only focuses on reducing waste and pollutant emissions, but also actively promotes the recycling and reuse of environmental resources, integrates environmental responsibility into the company culture, and enhances the environmental awareness of employees and partners.

## V. Labor Relations

(I) The Company's employee welfare measures, further education, training, retirement system and their implementation, as well as the agreement between labor and management and various employee right and interest protection measures:

1. We firmly believe that talents are the cornerstone of the Company's sustainable operation.

   The goal of labor relations is to strengthen the development of talents, build Kuen Ling into a happy enterprise, achieve the sustainable operation of the enterprise, and become the friendliest workplace. We highly value the self-development and accomplishments of our employees in their work, and have therefore built an open career development environment and welfare measures that take into account life and family, so that employees can work and grow with the Company.

   (1) Career development and self-achievement

   In order to cultivate excellent talents with enthusiasm and innovative ideas, and to help talents achieve achievements in the Company's development stage, in addition to the complete hands-on training and regulatory care for new employees, the Company ensures the opening of career development channels; the relevant programs are as follows:

   New employee training:

   According to the requirements of occupational safety/environmental safety, priority should be given to the training related to work safety and administration for 3.5 hours to strengthen the attention of the new employee to work safety and the understanding of the Company's basic management rules. Then, the head of each department will lead the new employee to each working environment to carry out environmental awareness and equipment operation training, as well as OJT and apprenticeship-system professional skill training.

   Professional training of each department:

   Each department shall propose annual training plans according to the professional skills needs of its staff every year, and participate in relevant government subsidized plans, such as the enterprise human resources improvement plan/charging take-off plan, so as to strengthen and improve the training quality and environmental needs of each employee, and enhance the professional skills of employees.

   On-the-job employees' further education:

   To encourage personal growth and upward development for each employee, our company has implemented relevant management guidelines such as the "On-the-Job

Employee Training Policy." As part of this policy, we provide full tuition reimbursement for every employee, allowing them to pursue further education while continuing to work. This initiative empowers employees to fully dedicate themselves to self-enrichment and training, enhancing their professional skills and fostering better career development opportunities for themselves.

Talent training:

A. Priority of internal talent recruitment of each department: To ensure holistic talent development, if a specific department requires additional expertise, we prioritize talent assessment from within the department or other departments. After evaluating the skills and capabilities of employees, we facilitate talent rotation and on-the-job training (OJT) to enhance their effectiveness. This approach aims to activate and strengthen the company's professional competitiveness by leveraging the diverse skills and knowledge of our talented workforce

B. External talent recruitment (youth employment pilot plan, industry-academia cooperation, and vocational school scholarships for outstanding academic performance): In addition to recruiting outstanding talents on 104 Job Bank, also cultivate the skills of young students, have conducted industry-academe cooperation with major colleges/universities and vocational colleges for many years and actively participated in relevant government programs, so that young students can have better self-growth and satisfaction while training and working.

(2) Employee rights and interests protection

A. Job security and gender equality guarantee: According to the Personal Data Protection Act, the Company ensures the personal security of job seekers, and does not use it for purposes other than recruitment or selection purposes without the consent of job seekers. In terms of employment targets, the Company fully complies with the provisions of the Labor Standards Act and does not employ people under the age of 15 for any labor work; in addition, in order to balance the gender structure and ensure the employment of women in posts, the proportion of women in the Company has increased from 12% to 20% in the past three years.

B. Competitive salary policy: The Company actively grasps the salary level of the industry market, and regularly reviews its salary policy to facilitate the recruitment and retention of high-quality talents. In addition, in consideration of the hard work of employees, work allowances are given according to the particularity of different workstations; in order to encourage the employees, we set up bonus categories such as the certification bonus, business bonus and proposal bonus to encourage the employees to work hard; in order to retain outstanding talents, we also plan the relevant supporting reward system to retain talents, and provide employees with salary and welfare conditions to free them from worries about their families.

2. Employee benefit policies

The labor relations of the Company have always been very harmonious. Since the Company’s start of the business, due to the open-minded style of the operator and the full recognition of the labor, the cooperation between the two parties has been extremely pleasant.

(1) Employee Welfare Committee:

A. The Company has established the Employee Welfare Committee, which is jointly organized and established by the labor and management representatives, with 10 labor representatives and 1 management representative.

B. The Committee has a chairman, who is responsible for the overall affairs of the meeting, and a vice-chairman who is elected by the members among themselves. The term of office of the members is 2 years, and they are all unpaid. The number of members who are re-elected shall not exceed 2/3, but the term of office of those members who are business executives is not limited. In addition, the resignation of the chairman, vice-chairman or member shall be submitted to the Committee. Those who fail to attend the meeting of the Committee for three consecutive times without any reason shall be deemed to have resigned. The Members of the Committee whose term of office is less than 1 year may not be recalled.

C. The members of the Committee are all volunteers. The meeting of the Committee is held once every 3 months, and an extraordinary meeting may be held when necessary. The Committee meeting shall be convened by the chairman. An extraordinary meeting may be convened by the chairman within 7 days upon the request of 1/3 of all members. If the chairman fails to convene a general or extraordinary meeting without justified reasons, it may be reported to the competent authority with the signature of 1/3 of all the members to designate one member to convene the meeting.

D. Source of employee welfare fund: 0.15% of the total monthly operating income, 40% of the sale and allocation of waste materials, and 0.5% of the employee salaries (monthly income).

E. The Welfare Committee organizes regular recreational and cultural activities with the aim of promoting employee well-being, and facilitating interpersonal relationships.

(2) Employee welfare policies

A. All employees of the Company shall participate in the insurance scheme, which shall be implemented in accordance with the Labor Insurance Act.

B. The Company also plans group comprehensive insurance for employees, including life insurance, accident insurance, medical insurance, occupational disaster insurance, etc., to increase the overall protection of employees.

C. When an employee dies due to occupational accidents or occupational diseases, our company not only provides funeral expenses equivalent to five months' average salary but also offers death compensation to the surviving family members. The death compensation consists of a one-time payment equal to 40 months' average salary of the deceased employee.

D. For non-work-related deaths of employees (excluding those on leave without pay), in addition to the benefits provided under labor insurance as required by law, the company may also offer a bereavement allowance based on the length of service.

2-1. Those who have served for less than three years will be given a one-time bereavement allowance equivalent to one month's salary.

2-2. Those who have served for three years or more will be given a one-time bereavement allowance equivalent to three month's salary.

2-3. The "bereavement allowance" above shall be paid from the month of death (inclusive) according to the "Labor Insurance Salary Tier Table", in the amount of the 6-month average monthly salary for insurance.

2-4. The bereavement allowance provisions above can be offset by group insurance and other insurance provided for the Company.

2-5. The bereavement allowance shall not be issued to "exclusions" such as suicides, criminal acts, illegal smoking or use of narcotic drugs.

E. Employees have the right to enjoy the Company's cultural and entertainment activities, tours, lectures, further education, dinners and other benefits.

F. Depending on the Company's operating conditions, employees with excellent performance will be additionally paid employees’ remuneration and year-end bonuses.

G. Full subsidy of the cost of regular physical examination every two years.

H. Education scholarships and pre-school subsidies for employees and their children.

I. Transportation subsidies.

J. Employee Stock Ownership Trust

(3) Employees’ further education and training

A. Training courses for each new employee to introduce the Company's relevant administrative rules and the advocacy of work environment safety.

B. Regular and irregular arrangement of courses related to professional skills to improve the ability of refrigeration and air conditioning and improve product quality assurance.

C. Irregular job rotation to develop employees' diversified skills.

D. Talent training: Each department head selects suitable candidates for relevant training every year.

E. Certificate acquisition: Providing relevant training and environment to encourage employees to obtain certificates and licenses related to refrigeration and air conditioning.

F. Providing relevant study subsidies in accordance with the "Guidelines for the Handling of In-service Employee Training" to encourage employees to go to the relevant departments of national universities and colleges.

Employee Training Program is divided into two categories based on the nature: New Employee Training and On-the-Job Training for Existing Employees, as follows:

| Item | Number of sessions | Total number of participants | Total hours | Total costs |
|---|---|---|---|---|
| 1. New Employee Training | 17 | 34 | 102 | 1,700 |
| 2. On-the-Job Training (internal training) | 28 | 1,616 | 3,579 | 80,800 |
| 3. On-the-job Training (external training) (Note) | 29 | 100 | 1,382 | 244,297 |

Note: Employee Continuing Education Subsidy: The Company provides incentives for on-the-job employees to pursue further education at domestic and foreign research institutes and national polytechnic universities. This initiative aims to foster the long-term development of high-level talents and enhance the technical proficiency of the Company.

3. Retirement system and implementation status:

3.1 Since July 1, 2005, the Company and its domestic subsidiaries have formulated a defined-allocation retirement plan in accordance with the "Labor Pension Act" which is applicable to employees of ROC nationality. The Company and its domestic subsidiaries shall pay 6% of the employee's salary to the individual account of the Bureau of Labor Insurance for the employees who select the labor pension system of the Labor Pension Act. The payment of the employee pension shall be paid by month or in one go in accordance with the balance of the employee's individual pension account and the accumulated income.

(1) Applicable to: All formal employees.

A. Voluntary retirement

a. Those who have served for 15 years and are over 55 years old.

b. Those who have served for 25 years.

c. Those who have served for 10 years and are over 60 years old.

B. Compulsory retirement by the Company:

a. Those who are over 65 years old.

b. Those who are unable to work due to mental deterioration or physical disability.

c. Those who are 65 years old or above, retirement may be postponed by agreement between the employer and the employee. For those who are engaged in special jobs such as dangerous jobs or those requiring strong physical strength, the business unit may report to the authority for adjustment, but the retirement age shall not be less than 55 years old.

(2) The base of (old system) employees' pension shall be the 6-month average salary before retirement as stipulated by the government; the calculation criteria are as follows:

A. Those who have served for less than 15 (inclusive) years will be given two base numbers for each full year.

B. Those who have served for more than 15 (exclusive) years, an additional base amount will be provided for each completed year of service beyond the fifteenth year.

C. If it is less than half a year, it shall be calculated as half a year; if it is more than half a year but less than one year, it shall be calculated as one year.

D. The upper limit is 45 base numbers.

(3) Pension payment method:

A. The pension shall be paid within 30 days from the date of retirement.

B. The Labor Retirement Reserve Supervision Committee of the Company issues a document to notify the Labor Bureau and the Labor Fund Payment Section of the Trust Department of the Bank of Taiwan to handle it.

(4) Pension allocation method:

A. According to Article 56 of the Labor Standards Act, the labor retirement reserve shall be allocated monthly within the range of 2% to 15% of the total monthly salary of the worker, and deposited in a special account. (old system)

B. According to Article 14 of the Labor Pension Act, 6% of the total salary shall be allocated as the labor pension on a monthly basis. (new system)

3.2 The pension of subsidiaries in overseas regions is a defined allocation system. According to the regulations of the local government, the pension, medical and other social security funds are paid every month.

4. Agreements between labor and management and various measures to safeguard the rights and interests of employees:

All regulations and measures concerning labor relations have been implemented in accordance with relevant laws and regulations; the new or modified measures of working conditions can all be implemented after communication and coordination between the labor and management, and the rights and interests of employees can be protected.

5. Code of employee behavior or ethics:

5.1 In order to maintain the employment order in the workplace, and clearly regulate the rights and obligations of both labor and the management, the Company has formulated the "Work Rules" in accordance with the law and publicly disclosed it after the approval of the competent authority, and complies with the internationally recognized norms of labor human rights, so as for the Company to follow in the management of employees. In the Work Rules, the position, title, appointment, service, leave, salary, rewards and punishment, assessment, promotion, welfare, severance, occupational disaster compensation and retirement are clear defined.

5.2 The Company expects every employee to strive to their fullest potential to achieve the highest business goals of the Company and enhance their personal moral sensibilities. To ensure this, the Company has established a "Code of Conduct" that outlines the following key points:

(1) Employees are strictly prohibited from accepting gifts or favors from vendors, their agents, employees, or any individuals involved in business transactions with the company without prior approval from their supervisor.

(2) The Company's internal information (that is, information related to the Company's interests or business), regardless of technology, finance, business, or similar information, is the Company's industrial and commercial secrets; employees have the obligation to keep such industrial and commercial secrets, and shall not disclose them to external parties. In addition, after leaving the Company, employees should still keep such secrets for the Company in good faith, and should not disclose or use the Company's industrial and commercial secrets to engage in illegal or improper competition.

(II) A statement of the losses incurred due to labor-capital disputes in the most recent year and up to the date of publication of the annual report, and disclosure of the estimated amounts and corresponding measures that may occur currently and in the future. If a reasonable estimate is not possible, the fact that such an estimate is not possible shall be explained:

In 2024, The Company doesn't have any labor disputes.

## VI. Information Security Management:

(I) Describe the information security risk management structure, information security policy, specific management scheme and resources invested in information security management.

1. Information security risk management structure

The responsibility for information security within the company lies with the Information Technology (IT) Department, which consists of two personnel: one IT Manager and one IT staff member. This unit is responsible for establishing internal information security policies, planning information security operations, and promoting and implementing information security policies

2. Information security policy and specific management plan:

2.1. The Company's information security management mechanism includes the following three aspects:

(1) System specification: Formulate the Company's information security management system to standardize the operation behavior of employees.

(2) Technology application: Install information security management equipment to implement information security management measures.

(3) Personnel training: Carry out information security training to improve the information security awareness of internal staff.

2.2 The management measures are described as follows:

(1) System specification: The Company has a requirement for the use of computers for employees which contains the information user safety behavior, and regularly checks whether the relevant regulations comply with the changes of the operating environment every year, and timely adjust them according to the needs.

(2) Technology application: In order to prevent various external information security threats, in addition to adopting a multi-layer network architecture design, the Company also built various information security protection systems to improve the security of the overall information environment.

3. Information security risk assessment:

In order to improve the information security awareness of employees, the Company carries out information security advocacy irregularly, controls the access behavior of information equipment via authority control, maintains the security of physical information equipment, strictly controls the access to the information equipment room, ensures the security of information equipment data, backs up data every day and synchronously stores it in remote equipment, and purchases information security equipment and orders information security services to ensure the security of external communication behavior. The Company also established a contingency plan for information security, and classifies information security incidents into levels 1 to 4. According to different levels, information security incidents are reported to the supervisor and relevant personnel for damage control, so that users can know how to make a preliminary judgment and treatment. In addition, the Company has hired an external professional information security incident identification team to assist in the investigation and mends the deficiencies and insufficiencies according to the incident investigation report, and effectively communicates with customers or the public to avoid damage to the corporate image; the professional information lawyer is also consulted about litigation issues to formulate the litigation strategy. Only by building an information security protection framework with the three mechanisms of prevention, detection and response, can the Company continue to operate steadily in a threatening environment.

(II) Major information security incident. None.

## VII. Important Contracts:

The valid and recently expired supply contracts, technical cooperation contracts, engineering contracts, long-term loan contracts, and other significant contracts that may impact shareholders' equity, as of April 30th, 2024 are listed below.

| Nature of Contract | Counterparty | Contract Period | Main Content | Limitation clauses |
|---|---|---|---|---|
| Long-term technical cooperation contract | Company A001 | 2025.01.01 ~ 2025.12.31 | Entrustment of the manufacture of chiller units, and provision of product quality assurance, after-sales service, trademark, patent design use, etc. | None |
| | Company A009 | 2025.01.01 ~ 2025.12.31 | | |
| | Company A010 | 2025.01.01 ~ 2025.12.31 | | |
| Raw material purchase contract | Fu Sheng Industrial Co., Ltd. | 2025.01.01 ~ 2025.12.31 | Compressor | None |
| | Chung Chen Metal Industry Co., Ltd. | 2025.01.01 ~ 2025.12.31 | Copper tube | None |
| | Feng-Hou Corporation | 2025.01.01 ~ 2025.12.31 | Sheet metal | None |
| | Karo’s Refrigeration & Air Conditioning Co., Ltd. | 2025.01.01 ~ 2025.12.31 | Coil unit | None |
| Long-term lease cooperation contract | Cheng Da III Hi-Tech Co., Ltd. | 2024.08.01 ~ 2034.08.01 | Plant rental | None |
| Long-term lease cooperation contract | Cheng Da IV Hi-Tech Co., Ltd. | 2023.07.01 ~ 2037.06.30 | Plant rental | None |

| Nature of Contract | Counterparty | Contract Period | Main Content | Limitation clauses |
|---|---|---|---|---|
| Long-term lease cooperation contract | Shanghai Shunyige Industrial Co., Ltd. | 2023.03.01 ~ 2032.01.14 | Lease of office | None |

# Five. Financial Status and Financial Performance Review and Analysis and Risk Management

## I. Financial status: The main reasons and impact of major changes in assets, liabilities and shareholders' equity in the last two years

Unit: NT$ thousand; %

| Item / Year | 2023 | 2024 | Difference | | Main reasons |
|---|---|---|---|---|---|
| | | | Amount | % | |
| Current assets | 2,879,278 | 2,687,723 | (191,555) | (7) | |
| Financial assets at fair value through other comprehensive income or loss - non-current | 9,759 | 9,759 | - | - | |
| Property, plant and equipment | 624,624 | 658,835 | 34,211 | 5 | |
| Intangible assets | 7,135 | 4,680 | (2,455) | (34) | |
| Other assets | 126,486 | 118,624 | (7,862) | 6 | |
| Total assets | 3,647,282 | 3,479,621 | (167,661) | 5 | |
| Current liabilities | 1,731,365 | 1,409,967 | (321,398) | (19) | |
| Long-term liabilities | 3,665 | - | (3,665) | (100) | |
| Other liabilities | 170,991 | 157,256 | (13,735) | 8 | |
| Total liabilities | 1,906,021 | 1,567,223 | (338,798) | 18 | |
| Share capital | 761,524 | 761,524 | - | - | |
| Capital reserve | 128,616 | 128,616 | - | - | |
| Retained earnings | 830,411 | 972,488 | 142,077 | 17 | |
| Other interests and non-controlling interests | 20,710 | 49,770 | 29,060 | 140 | 1 |
| Total shareholders’ equity | 1,741,261 | 1,912,398 | 171,137 | 10 | |

Major change items (those with a change of more than 20% between the previous and the current period and the change amount reaches NT$10 million)

Main reasons and their impact, and future response plans:

(I) Main reasons for the change

1. Other Equity and Non-Controlling Interests: Mainly due to exchange gains arising from the translation of financial statements of foreign operations.

(II) Impact and future response plans:

The Company continues to grow steadily in operating performance and profit, and properly plans the control of working capital.

## II. Financial performance: The main reasons for major changes in operating revenue, operating profit and pre-tax net profit in the most recent two years, the expected sales volume and its basis, the possible impact on the Company's future financial operations and the response plan.

### (I) Comparative analysis of financial performance in the last two years:

Unit: NT$ thousand; %

| Item \ Year | 2023 | 2024 | Amount of increase (decrease); % | Change ratio % |
|---|---|---|---|---|
| Operating revenue | $3,476,588 | $3,649,379 | 172,791 | 5 |
| Operating costs | (2,636,014) | (2,741,530) | (105,516) | (4) |
| Gross profit | 840,574 | 907,849 | 67,275 | 8 |
| Operating expenses | (525,517) | (545,849) | (20,332) | (4) |
| Operating profit | 315,057 | 362,000 | 46,943 | 15 |
| Non-operating income and expenses | 44,168 | 45,839 | 1,671 | 4 |
| Net profit before tax from continuing operations | 359,225 | 407,839 | 48,614 | 14 |
| Income tax | (81,689) | (89,496) | (7,807) | (10) |
| Net profit after tax from continuing operations | 277,536 | 318,343 | 40,807 | 15 |

1. Analysis and Explanation of the Change Ratio:
   The annual variation rate did not exceed 20%.
2. Reasons for changes in major business scopes: there were no significant changes in the scope of the Group's major business activities.
3. Sales volume forecast in the coming year and the basis:
   The Taiwan headquarters will continue to play a key role in coordinating operations between mainland China and Vietnam, not only by providing ongoing technical support but also by serving as a strong backing for factories in various regions. Based on the Group’s business strategy, taking into account market forecasts, industry development trends, and the business conditions of customers, and under reasonable assumptions, it is expected that the sales volume for the coming year will remain consistent with the current period.
4. Possible financial impact to the Company and response plan:
   As the Group’s business scale continues to grow, it aims to expand into new product markets and diversify operational risks, while also focusing on adjusting its financial structure. It is anticipated that the Group will continue to grow steadily in the future. Given the current financial structure, it is sufficient to meet the needs of future business expansion, and thus, there will be no significant impact on the Company's finances or capital.

**III. Analysis of the changes in cash flow in the most recent year, improvement plan for insufficient liquidity, and analysis of cash flow in the next year.**

**(I) Analysis of the cash flow in the most recent year and improvement plan for insufficient liquidity**

| Item \ Year | 2023 | 2024 | Increase (decrease) ratio |
|---|---|---|---|
| Cash flow ratio | 24% | 41% | 71% |
| Cash flow adequacy ratio | 81% | 109% | 35% |
| Cash reinvestment ratio | 11% | 15% | 36% |
| Description and analysis of change of increase/decrease ratio: (the change ratio exceeds 20%)<br>1. Cash Flow Ratio: Mainly due to the increase in revenue this year, which led to an increase in cash inflows from operating activities, thereby improving the cash flow ratio.<br>2. Cash Flow Adequacy Ratio: Primarily due to the growth in revenue this year, with a corresponding increase in cash inflows from operating activities, resulting in an improvement of the ratio.<br>3. Cash Reinvestment Ratio: Mainly due to the increase in revenue this year, leading to higher cash inflows from operating activities, which boosted the cash available for reinvestment. | | | |

**(II) Analysis of cash flow in the next year:**

| Cash balance at the beginning of the period (1) | Net cash flow from business activities for the year (2) | Cash inflow (outflow) for the full year (3) | Estimated cash surplus (shortfall) (1)+(2)+(3) | Financing of cash deficits | |
|---|---|---|---|---|---|
| | | | | Investment plan | Wealth management plan |
| 793,597 | 333,297 | (578,375) | 548,519 | - | - |

1. Analysis of expected cash flow change in the coming year:
(1) Operating activities: Revenue is expected to grow at a slower pace compared to 2024, and operating activities are expected to continue generating net cash inflows, although the inflow will be lower than in 2024.
(2) Investment activities: Capital expenditures are expected to increase in the coming year, resulting in higher cash outflows.
(3) Financing activities: Cash dividends are expected to be distributed and, to meet working capital needs, bank financing will likely still be required.

2. Remedial measures and liquidity analysis of estimated cash insufficiency: Not applicable.

## IV. Material capital expenditures in the most recent year and impact on the financial status and business performance:

### (I) Application of major capital expenditure and capital source:

Unit: NT$ thousand

| Item | Actual or expected capital source | Actual or expected completion date | Total funds needed | Actual or expected capital application | | |
|---|---|---|---|---|---|---|
| | | | | 2024 | 2025 | 2026 |
| Plant renovation and purchase of production equipment | Working capital and bank borrowings | 2024 | 80,000 | 80,000 | 0 | 0 |
| Total | | | 80,000 | 80,000 | 0 | 0 |

### (II) Expected benefits:

1. Enhanced Production Efficiency: Demolishing and rebuilding factories and acquiring new equipment will improve workspace, processes, and production techniques, leading to increased production efficiency.
2. Improved Product Quality: Technological upgrades and cost-effectiveness may result in higher-quality products, enhancing competitiveness, increasing customer satisfaction, and aiding in expanding market share.
3. Cost Savings: The application of new equipment may reduce waste of energy and raw materials, thereby lowering production costs; simultaneously, improved work efficiency can also save on labor costs.
4. Technological Leadership: Technological upgrades will elevate the Company's production technology level, positioning it as a technological leader in the industry. This is expected to enhance competitiveness and facilitate the development of more innovative products and services.
5. Sustainable Development: Through measures such as energy conservation, emissions reduction, and efficient resource utilization, the Company will achieve sustainable development, contributing to the environment while enhancing corporate image and social responsibility.

### (III) Impact of material capital expenditures on the financial status and business performance: None.

## V. Reinvestment policy for the most recent year, the main reasons for profit or loss, the improvement plan and the investment plan for the coming year:

Unit: NT$ thousand

| Explanation / Item | Initial investment amount (Note) | Policy | Main causes of profit or loss | Improvement plan | Other future invest-ment plans |
|---|---|---|---|---|---|
| Cozy Air-Conditioning Co., Ltd. | TW$ 30,000 | The 100% domestic investment policy aims at the market demand and development trend as well as the development space in the international market. | The company was established on November 15, 2004 and began to sell equipment in 2019; the profit after tax in 2024 was NT$201,233 thousand. | None | None |
| Ching Chi International Limited | TW$ 201,467 | Based on the demand of expanding the market and capacity division in mainland China, the holding company established by the Company has successively invested in KuenLing Machinery Refrigerating (Shanghai) Co., Ltd. since 2000 and KuenLing Machinery Refrigerating (Suzhou) Co., Ltd. since 2006. | Due to the recent economic slowdown in China and the impact of the U.S.-China trade war, KuenLing Machinery Refrigerating (Shanghai) Co., Ltd., the Company recognized a net loss of NT$25,767 thousand for the year 2024; net profit of NT$13,150 thousand in 2024 for KuenLing Machinery Refrigerating (Suzhou) Co., Ltd. | Actively optimize production processes and streamline non-essential expenditures, enhance resource utilization efficiency, optimize capital deployment, accelerate accounts receivable collection, and improve cash flow. | None |

| | | | | | |
|---|---|---|---|---|---|
| Klean Air Enterprise LTD | TW$ 138,046 | The Company established a holding company in order to expand into the Vietnamese market and facilitate production specialization.<br>Since the year 2002, it has invested in Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. to manufacture and sell products such as chiller units. In 2017, the Company further expanded its presence in Southeast Asia by investing in PT. Kuen Ling Indonesia | Vietnam's economy has maintained steady growth; therefore, Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. recorded a net profit of NT$14,426 thousand in 2024. PT. Kuen Ling Indonesia recorded a net profit of NT$340 thousand in 2024. (Note 2) | None | None |

Note 1: The amount of annual investment exceeds 5% of the paid-in capital in 2024.

Note 2: On March 12, 2024, the Board of Directors and Shareholders' Meeting of KLEAN AIR ENTERPRISE LTD. resolved to terminate the business operations of its invested company, PT. KUENLING Indonesia. The related procedures are currently underway.

## VI. Evaluation Items of Risk Management Analysis:

### (I) Impact of interest rate and exchange rate changes and inflation on the Company's profit and future countermeasures

#### 1. Impact on the Company's profit:

A. Interest rate change:

Unit: NT$ thousand

| Item | 2023 | 2024 |
|---|---|---|
| Net interest income (A) | (3,708) | (3,296) |
| Operating revenue (B) | 3,476,588 | 3,649,379 |
| Profit before tax (C) | 359,225 | 407,839 |
| A/B(%) | -0.11% | -0.09% |
| A/C(%) | -1.03% | -0.81% |

The Group's interest rate risk mainly arises from long-term borrowings (including current portions of long-term liabilities due within one year or one operating cycle) with floating interest rates, exposing the Group to cash flow interest rate risk. However, the Company does not face any significant cash flow or fair value interest rate risk.

B. Exchange rate change:

Unit: NT$ thousand

| Item | 2023 | 2024 |
|---|---|---|
| Net exchange gain (A) | (700) | 4,780 |
| Operating revenue (B) | 3,476,588 | 3,649,379 |
| Profit before tax (C) | 359,225 | 407,839 |
| A/B(%) | -0.02% | 0.13% |
| A/C(%) | -0.19% | 1.17% |

B-1. The Company's payables generated from product procurement and service requirements, except for a few specific projects, are denominated in New Taiwan Dollars (NTD), while some are denominated in US Dollars (USD). As a result, the Company's revenue and profitability are still moderately affected by exchange rate fluctuations.

B-2. In order to prevent the excessive fluctuation of exchange rate in the future from eroding the Company's profits, the Company will strengthen the control of exchange risk and take the following specific measures:

B-2-1. The Group will adopt the A/R and A/P balance strategy to reduce exchange rate risk.

B-2-2. The Group constantly gathers information on exchange rate fluctuations to monitor the currency market trends. It also conducts cash flow forecasts and implements appropriate hedging policies and methods to manage the supply and demand of foreign currencies. The Group engages in timely buying and selling activities to adjust and reduce the impact of exchange rate losses caused by the appreciation of the New Taiwan Dollar. These measures are implemented to minimize the impact on the core business operations.

**C. Inflation:**

In 2025, the global economy faces numerous challenges. The European market continues to be weak, China's economy is undergoing structural adjustments, and the United States, under Trump's renewed administration, is implementing a new wave of tariff, trade, and economic policies, further intensifying global economic and trade uncertainties. The Group's main raw materials, including copper, iron, and steel, have all seen significant price increases, which will raise procurement costs. Although fluctuations in raw material prices have not had a significant adverse impact on the Company's profitability, the Group will continue to carefully assess the trends of basic metal prices and formulate optimal procurement strategies in line with operational needs, reviewing and consolidating relevant information from time to time to support management decision-making.

**(II) Policies on high-risk and high-leverage investments, loans to external parties, endorsements/guarantees and derivative trading, the main causes of profit or loss incurred and future countermeasures:**

1. The Group's investment and financial management has always been moderate and conservative, and has not engaged in high-risk and high-leverage investments.
2. The Group's capital lending to others in 2024:
   In accordance with the provisions of the Group's procedures for lending funds to others, the amount of loans to a single legal person or group shall not exceed 10% of the Group's net value; the total amount of funds loaned to others shall not exceed 40% of the Group's net value, with an upper limit of NT$718,382.
   As of December 31, 2024, the Group's amount of loans to others was NT$0.
3. Endorsements and guarantees of the Group in 2024:
   According to the provisions of the Group's operating procedures for endorsements and guarantees, the amount of endorsements and guarantees for a single enterprise shall not exceed 30% of the Group's current net value, and the total amount of endorsements shall not exceed 40% of the Group's current net value; the upper limit of endorsements and guarantees is NT$718,382.
   As of December 31, 2024, the Group's amount of endorsements and guarantees was NT$0.
4. The Group’s derivative trading in 2024:
   The Group has formulated the "Procedures for Derivative Trading", and is mainly engaged in foreign currency exchange rate hedging and not in speculative transactions. Because of the hedging nature, there will not be a significant impact.
   The Group has not engaged in derivative trading as of December 31, 2024.

**(III) Future R&D plan and expected R&D costs**

| Plan for the most recent year | Current progress | Period of investment | R&D expenses to be further invested (Note) | Completion time of mass production | Main factors influencing the success of future R&D |
|---|---|---|---|---|---|
| Integration and demonstration of innovative ice making and ice melting air conditioning system technology | Proposal for MOEAEA Idustrial Energy Technology Program is in progress | 2025~2026 | NT$22 million | 2027 | This research and development is cooperated with HORNG SHIUH JUN YUAN ENERGYTECH ENG. CO., LTD. and transferring relevant research patents from National Taiwan University to achieve low risk and high success rate guarantee. (Affecting the initial sales of traditional ice storage tanks) |

Note: It is estimated that NT$11 million will be invested in R&D in the next year.

**(IV) The impact of important domestic and foreign policies and legal changes on the Company's financial status in the most recent year and countermeasures:**

All businesses of the Group are carried out in accordance with the laws and regulations of the competent authority, and the development trend of important policies and laws at home and abroad and changes in laws are noted at all times to fully grasp and respond to changes in the market environment. Therefore, the changes in important policies and laws at home and abroad in the recent year have no significant impact on the financial status and business performance of the Company. In the future, the Company will collect relevant information about important domestic and foreign policies, and changes in laws and regulations of the competent authority at any time to provide tit as a reference for the decision-making of the management level, and cooperate in the implementation and response in order to adjust the relevant operational decisions of the Company.

**(V) The impact of technological changes (including information and communications**

**security risks) and industry changes on the Company's financial operations over the past year and the measures taken in response:**

1. Changes in technology and industry risks:

   The technology industry has changed rapidly, but in the industry in which the Group is located, the changes in technology and industry will not affect the financial status and business performance of the Company in the foreseeable future.

2. Response to changes in technology and industry:

   Observe the product evolution trend and maintain good interaction with clients at any time, grasp the real needs of customers and the market, and expand the international market; research and innovate deep cultivation technology, strengthen quality improvement and professional technical services, follow the industry trend, and develop new products to implement the sustainable operation and growth of the Company.

3. Please refer to page 126 for details on information security risks.

**(VI) Impact of corporate image change in the most recent year on corporate crisis management and countermeasures:**

1. The Group has always adhered to the business philosophy of "integrity", "innovation", "service" and "care".
2. The Group's corporate image is based on honesty and pragmatism. So far, there has been no major change in the corporate image that has caused a crisis.
3. The Group will also continue to implement various corporate governance requirements, timely consult experts, prevent risks and strengthen corporate crisis management awareness.

**(VII) Expected benefits and possible risks of merger and acquisition:**

<u>There was no merger and acquisition plan for the most recent year and as of March 31, 2025, so it is not applicable.</u>

**(VIII) Expected benefits and possible risks of plant expansion:**

<u>There was no plant expansion plan for the most recent year and as of March 31, 2025, so it is not applicable.</u>

**(IX) Risks of centralized procurement or sales:**

1. Procurement: Since the Group's revenue has grown steadily, and the raw materials and materials purchased can be sourced from multiple suppliers in the market, the Company and suppliers have established a good and close relationship and adopted long-term contracts, so the risk associated with concentrated purchasing is expected to be minimal
2. Sales: The Company actively pursues the development of new ODM customers and promotes its own brand in order to maintain stable order volumes, ensure the security of accounts receivable, and sustain sales market growth. The sales

policy of the Company focuses on maintaining good cooperative relationships with existing ODM customers while actively seeking ODM orders from other reputable central air conditioning manufacturers that have not yet been collaborated with. ODM orders from central air conditioning manufacturers typically involve larger quantities compared to general refrigeration and air conditioning engineering companies. These orders also provide a stable source of business and offer opportunities to tap into new sales channels. Therefore, the Company has chosen to focus on cultivating ODM customers as a direction for expanding its business. Additionally, the Company aims to penetrate specialized industries with higher technological requirements, such as special industrial air conditioning and process clients to diversify its sales customer base and spread the risk of customer concentration.

**(X) Impact and risks on the Company from the substantial transfer or exchange of shares by directors, supervisors or major shareholders holding more than 10% of the Company’s shares:** None.

**(XI) Impact and risk of the change of management right on the Company:**

In the most recent year and up to the printing date of the annual report: None.

**(XII) Litigation or non-litigation events in the most recent year and as of March 31, 2025:**

1. Litigation or non-litigation events: None.
2. The Company's directors, supervisors, general manager, substantive responsible persons, major shareholders with shareholdings ratio of more than 10% or affiliated companies which have been adjudicated or are still in the process of major litigation, non-litigation or administrative disputes, and the results may have a significant impact on shareholders' equity or securities prices should disclose the facts of the dispute, the amount of the subject matter, the date of commencement of the litigation, the principal parties involved in the litigation and the disposition of the case as of the date of printing of the annual report: None.

**(XIII) Other important risks and countermeasures:**

(I) Risk control mechanism:

1. Although the Group has not established a risk management organization, it requires risk control and implementation of self-management by all staff and in all aspects; mutual monitoring rather than control by a single person' is adopted, and each department is required to carry out the first level of control well. The management and advocacy of important risks are also strengthened. The risk control of the Group is divided into three levels (mechanisms): the sponsor or the

undertaker is the first mechanism, which must be responsible for the investigation, design and prevention of the initial risk detection, evaluation and management of the operation. The second mechanism is the business meeting or policy management presided over by the General Manager's Office. In addition to the feasibility evaluation, it is also in charge of the evaluation of various risks. The third mechanism is the review by the meeting of directors and supervisors. The audit personnel completed all audit tasks for the year ended 2024. The audit results indicated that the internal control design and execution were effective, and all environmental indicators were maintained at a low-risk level.

2. The Company's important risk assessment will be reviewed by the General Manager's Office, and will be submitted to the Board of Directors for review when necessary to carry out risk detection, evaluation and prevention recommendations. If there is any possible immediate risk found in normal times, it can also be immediately reported to the superior for proper prevention. For extremely important matters such as investment management and project bidding, each case is subject to joint review or supervision and regular tracking.
3. At the end of each year, key company-wide policies will be put forward as the basis for decision-making, work and planning of the next year, and will be included in project management for quarterly review and tracking.

(II) Information security risk:

To enhance information security management and ensure the confidentiality, integrity, and availability of information, as well as the reliability of information equipment and network systems, our company has established controls for information security checks as guidelines for managing information security risks within the company's regulations. Simultaneously, following the information security risk management framework, we have implemented intrusion defense systems, email spam filters, endpoint antivirus systems, and other security measures to gradually improve information security protection. We also conduct periodic drills for data backup systems and disaster recovery mechanisms to ensure data accuracy.

As of the printing date of the Company’s annual report, we have not experienced any significant cyber-attacks or information security incidents in 2024.

**VII. Other important matters: <u>None.</u>**

# Six. Special Disclosure:

I. Information of affiliated companies in the most recent year:

(I) Consolidated financial statements of affiliated enterprises: The same as the consolidated financial statements of parent and subsidiaries in Appendix 1. (Please refer to pages 143~210)

(II) Consolidated report of affiliated enterprises: Please refer to pages 307 ~ 312.

(III) Business report of subsidiaries: None

II. Private placement of securities in the most recent year and up to the printing of the annual report: None

III. Other supplementary information: None

IV. Other supplementary information:

V. A primary exchange (or OTC) listed company hall include an explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity: None

# Seven. During 2024 and up to the publication date of this annual report, any event which significantly affects shareholders' equity or share price pursuant to Article 36-3-2 of the Securities and Exchange Act (including the events under Article 11-1 of the Procedures of TPEx for Verification and Disclosure of Material Information of TPEx Listed Companies, and the press conferences on material information): None

# Eight. Information that should be recorded in accordance with regulations:

In accordance with Article 10-1-8, Article 10-1-7, Article 17, and Article 21-1-2; the Company has announced the relevant matters that should be recorded on the information reporting website designated by the Financial Supervisory Commission. Shareholders who wish to inquire about the details can refer to the following website.

Website: Market Observation Post System (MOPS).

Search method: Go to the "Important News and Announcements" category and set the search date range to an appropriate search period, such as January 2024 to December 2025, to filter the information.

Link: https://mops.twse.com.tw/mops/#/web/home

# KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES

# CONSOLIDATED FINANCIAL STATEMENTS
## with Independent Auditors' Report

For the Years Ended December 31, 2024 and 2023

Stock Code：4527

Address: No. 300, Chikan N. Rd., Ziguan Dist., Kaohsiung City 826, Taiwan (R.O.C.)

Telephone：886-7-6192345

***Notice to readers***

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

**KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**with Independent Auditors' Report**

For the Years Ended December 31, 2024 and 2023

## Contents

**Representation Letter**

The entities that are required to be included in the combined financial statements of KUEN LING MACHINERY REFRIGERATING CO., LTD. as of and for the year ended December 31, 2024 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements. " In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, KUEN LING MACHINERY REFRIGERATING CO., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

**KUEN LING MACHINERY REFRIGERATING CO., LTD.**

**By**

**TSENG, CHUNG-KUO**

**Chairman**
**March 11, 2025**

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR24004763

To the Board of Directors and Shareholders of Kuen Ling Machinery Refrigerating Co., Ltd.

**Opinion**

We have audited the consolidated financial statements of KUEN LING MACHINERY REFRIGERATING CO., LTD. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2024 and 2023, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors please refer to the Other matter section, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2024 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

### Appropriateness of revenue recognition cutoff

Description

Please refer to Note 4(25) of the consolidated financial statements for the accounting policy for revenue recognition; for the explanation of operating revenue accounting items, please refer to Note 6(20) of the consolidated financial statements.

The Group's operating revenue all comes from Revenue from Contracts with Customers, primarily derived from the transfer of control of products such as condensers, chillers, ice-making units, and refrigeration units upon completion of customer acceptance. Revenue from contracts is recognized when control of the product is transferred to the customer, i.e., when the product is delivered to the customer. The customer has discretion over the distribution channel and price of the product, and the Group has no remaining performance obligations that may affect customer acceptance of the product. The transfer of control of the product to the customer and the fulfillment of performance obligations typically involve manual operations and judgments, which may result in the recognition of revenue at an inappropriate time close to the end of the financial reporting period. Therefore, the appropriateness of revenue recognition cutoff is identified as one of the key matters for this year's audit by the auditors.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Understand and evaluate the accounting policies for revenue recognition.
2. Understand, evaluate, and test the effectiveness of the design and implementation of internal control procedures for revenue recognition.
3. Conduct cutoff tests for contract revenue during a certain period before and after the end of the financial reporting period to assess when revenue recognition its transferred of control of the product and no remaining performance obligations that may affect customer acceptance of the product.

**Assessment of impairment of accounts receivable**

Description

Please refer to Note 4(7) of the consolidated financial statements for the accounting policy for accounts receivable; for the accounting estimates and assumptions uncertainty related to the assessment of impairment of accounts receivable, please refer to Note 5 of the consolidated financial statements; for the explanation of the accounts receivable accounting item, please refer to Note 6(2) of the consolidated financial statements; for the explanation of credit risk information related to accounts receivable, please refer to Note 12(2) of the consolidated financial statements.

The Group evaluates the expected credit losses on accounts receivable and recognizes allowances for losses. The evaluation method includes assessing individual significant customers or similar credit risk groups, considering their historical transaction records, operational and financial status, and incorporating the impact of the time value of money. Due to the identification of individual significant customers, differentiation of similar credit risk groups, and the subjective judgment of management involved in the evaluation method mentioned above, the assessment of expected credit losses on accounts receivable is significantly affected. Therefore, the assessment of impairment of accounts receivable is identified as one of the key audit matters for this year's audit.

How our audit addressed the matter

Our key audit procedures performed in respect of the above included the following:

1. Based on an understanding of the Group's operations and sales transactions, evaluate the reasonableness of its provision policy and procedures for accounts receivable allowances, including identifying individual significant customers, distinguishing similar credit risk groups, and determining objective evidence for expected credit losses.
2. Understand the effectiveness of the Group's credit management and internal control procedures for the assessment of expected credit losses during the debt's existence period.
3. Assess the reasonableness of significant expected credit losses individually identified by management and the assessment of expected credit loss amounts based on similar credit risk groups.
4. Conduct post-period collection testing for accounts receivable that only reflect expected credit losses due to the time value of money to assess the reasonableness of expected credit losses.

**Other matter – Reference to the audits of other auditors**

We did not audit the financial statements of certain consolidated subsidiaries which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and the information on investees, is based solely on the reports of the other auditors. Total assets of these subsidiaries amounted to NT$23,937 thousand and NT$19,799 thousand, representing 1% and 1% of the consolidated total assets as at December 31, 2024 and 2023, respectively, and the operating revenue amounted to NT$28,725 thousand and NT$19,198 thousand, representing 1% and1% of the consolidated total operating revenue for the years then ended, respectively. ∘

**Other matters – Parent company - only financial reports**

We have audited and expressed an unmodified opinion with an explanatory paragraph on the parent company only financial statements of KUEN LING MACHINERY REFRIGERATING CO., LTD. as of and for the years ended December 31, 2024 and 2023.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the financial reporting process of the Group.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards genera1ly 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 consolidated financial statements.

As part of an audit in accordance with 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 assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Groups internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2024 and are, therefore, considered to be the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude 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.

Wang, Chun-Kai　　　　　　　　　　Wu, Chien-Chih

For and on behalf of PricewaterhouseCoopers, Taiwan

March 11, 2025

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

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
Consolidated Balance Sheets
December 31, 2024 and 2023
(Expressed in thousands of New Taiwan Dollar)

| | Assets | Note | December 31, 2024 Amount | % | December 31, 2023 Amount | % |
|---|---|---|---|---|---|---|
| | **Current assets:** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 793,597 | 23 | $ 472,058 | 13 |
| 1140 | Contract Assets - Current | 6(20) | 69,515 | 2 | 85,855 | 2 |
| 1150 | Net Notes Receivable | 6(2) | 327,772 | 9 | 325,988 | 9 |
| 1160 | Notes Receivable - Related Parties, Net | 6(2) and 7 | 12,331 | - | 27,036 | 1 |
| 1170 | Net Accounts Receivable | 6(2) | 882,196 | 25 | 1,226,204 | 34 |
| 1180 | Accounts Receivable - Related Parties, Net | 6(2) and 7 | 16,440 | 1 | 12,286 | - |
| 130X | Inventory | 6(3) | 457,461 | 13 | 645,562 | 18 |
| 1479 | Other Current Assets - Other | 6(4) and 8 | 128,411 | 4 | 84,289 | 2 |
| 11XX | **Total Current Assets** | | 2,687,723 | 77 | 2,879,278 | 79 |
| | **Non-current assets:** | | | | | |
| 1517 | Financial Assets at Fair Value Through Other Comprehensive Income - Non-current | 6(5) | 9,759 | - | 9,759 | - |
| 1600 | Property, Plant, and Equipment | 6(7)(9) and 8 | 658,835 | 19 | 624,624 | 17 |
| 1755 | Right-of-Use Assets | 6(8) and 8 | 54,161 | 2 | 54,366 | 2 |
| 1780 | Intangible Assets | | 4,680 | - | 7,135 | - |
| 1840 | Deferred Tax Assets | | 31,176 | 1 | 35,012 | 1 |
| 1920 | Deposits for Guarantees | 8 | 11,434 | - | 15,182 | - |
| 1930 | Long-term Notes and Accounts Receivable | 6(10) | 258 | - | 765 | - |
| 1990 | Other Non-current Assets - Other | 8 | 21,595 | 1 | 21,161 | 1 |
| 15XX | **Total Non-current Assets** | | 791,898 | 23 | 768,004 | 21 |
| 1XXX | **Total Assets** | | $ 3,479,621 | 100 | $ 3,647,282 | 100 |

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD.
Consolidated Balance Sheets
December 31, 2024 and 2023
(Expressed in thousands of New Taiwan Dollar)

| | Liabilities and equity | Note | December 31, 2024 Amount | % | December 31, 2023 Amount | % |
|---|---|---|---|---|---|---|
| | **Current liabilities:** | | | | | |
| 2100 | Short-term borrowings | 6(11) and 8 | $ 234,744 | 7 | $ 182,529 | 5 |
| 2130 | Current portion of contract liabilities | 6(20) | 150,111 | 4 | 163,723 | 4 |
| 2150 | Accounts payable notes | 7 | 37,496 | 1 | 129,014 | 3 |
| 2170 | Accounts payable | 7 | 470,532 | 13 | 721,247 | 20 |
| 2200 | Other payables | 6(12) | 385,958 | 11 | 356,593 | 10 |
| 2230 | Current income tax liabilities | | 57,537 | 2 | 46,528 | 1 |
| 2250 | Current portion of liabilities | 6(13) | 63,463 | 2 | 62,051 | 2 |
| 2280 | Current lease liabilities | | 4,959 | - | 4,032 | - |
| 2320 | Long-term liabilities due within one year or one operating cycle | 6(14) and 8 | 3,874 | - | 24,746 | 1 |
| 2399 | Other current liabilities - Other | | 1,293 | - | 40,902 | 1 |
| 21XX | **Current Assets** | | 1,409,967 | 40 | 1,731,365 | 47 |
| | **Non-current liabilities:** | | | | | |
| 2540 | Long-term borrowings | 6(14) and 8 | - | - | 3,665 | - |
| 2570 | Deferred income tax liabilities | | 69,108 | 2 | 71,101 | 2 |
| 2580 | Non-current lease liabilities | | 32,118 | 1 | 32,868 | 1 |
| 2640 | Net defined benefit liabilities - Non-current | 6(15) | 52,410 | 2 | 64,077 | 2 |
| 2645 | Deposits received for guarantees | | 3,620 | - | 2,945 | - |
| 25XX | **Total non-current liabilities** | | 157,256 | 5 | 174,656 | 5 |
| 2XXX | **Total liabilities** | | 1,567,223 | 45 | 1,906,021 | 52 |
| | **Equity** | | | | | |
| | **Equity attributable to owners of the parent company** | | | | | |
| | Capital | 6(16) | | | | |
| 3110 | Ordinary shares capital | | 761,524 | 22 | 761,524 | 21 |
| | Capital surplus | 6(17) | | | | |
| 3200 | Capital surplus | | 128,616 | 4 | 128,616 | 4 |
| | Retained earnings | 6(18) | | | | |
| 3310 | Statutory surplus reserve | | 293,365 | 8 | 267,856 | 8 |
| 3320 | Special surplus reserve | | 94,936 | 3 | 81,442 | 2 |
| 3350 | Undistributed profits | | 584,187 | 17 | 481,113 | 13 |
| | Other equity | 6(19) | | | | |
| 3400 | Other equity | | ( 66,674) | ( 2) | ( 94,936) | ( 3) |
| 31XX | Total equity attributable to owners of the parent company | | 1,795,954 | 52 | 1,625,615 | 45 |
| 36XX | **Non-controlling interests** | 4(3) | 116,444 | 3 | 115,646 | 3 |
| 3XXX | **Total Equity** | | 1,912,398 | 55 | 1,741,261 | 48 |
| | **Significant contingent liabilities and unrecognized contractual commitments** | 9 | | | | |
| | **Significant subsequent events** | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 3,479,621 | 100 | $ 3,647,282 | 100 |

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
Consolidated Statements of Comprehensive Income
December 31, 2024 and 2023
(Expressed in thousands of New Taiwan Dollar, except for Per share)

| | Assets | Note | 2024 Amount | 2024 % | 2023 Amount | 2023 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenues | 6(20) and 7 | $ 3,649,379 | 100 | $ 3,476,588 | 100 |
| 5000 | Operating costs | 6(3)(23)(24) and 7 | ( 2,741,530) | ( 75) | ( 2,636,014) | ( 76) |
| 5900 | Gross profit from operations | | 907,849 | 25 | 840,574 | 24 |
| | Operating expenses | 6(23)(24) | | | | |
| 6100 | Selling expenses | | ( 223,102) | ( 6) | ( 257,121) | ( 7) |
| 6200 | General and administrative expenses | | ( 197,109) | ( 5) | ( 171,256) | ( 5) |
| 6300 | Research and development expenses | | ( 69,994) | ( 2) | ( 68,909) | ( 2) |
| 6450 | Expected credit impairment loss | 12(2) | ( 55,644) | ( 2) | ( 28,231) | ( 1) |
| 6000 | Total operating expenses | | ( 545,849) | ( 15) | ( 525,517) | ( 15) |
| 6900 | Net operating income | | 362,000 | 10 | 315,057 | 9 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 5,762 | - | 5,141 | - |
| 7010 | Other income | 6(21) | 44,682 | 1 | 45,974 | 1 |
| 7020 | Other gains and losses | 6(22) | 4,453 | - | 1,901 | - |
| 7050 | Finance costs | 6(8)(11)(14) | ( 9,058) | - | ( 8,848) | - |
| 7000 | Total non-operating income and expenses | | 45,839 | 1 | 44,168 | 1 |
| 7900 | **Profit before income tax from continuing operations** | | 407,839 | 11 | 359,225 | 10 |
| 7950 | Income tax expense | 6(25) | ( 89,496) | ( 2) | ( 81,689) | ( 2) |
| 8200 | **Net Profit** | | $ 318,343 | 9 | $ 277,536 | 8 |

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD.
Consolidated Statements of Comprehensive Income
December 31, 2024 and 2023
(Expressed in thousands of New Taiwan Dollar, except for Per share)

| | Assets | Note | 2024 Amount | 2024 % | 2023 Amount | 2023 % |
|---|---|---|---|---|---|---|
| | **Other comprehensive income items that will not be reclassified to profit or loss** | | | | | |
| 8311 | Remeasurement of defined benefit plans | 6(15) | $ 6,617 | - | ($ 4,127) | - |
| 8349 | Income tax related to items not reclassified | 6(25) | ( 1,323) | - | 825 | - |
| 8310 | Total amount of items not reclassified to profit or loss | | 5,294 | - | ( 3,302) | - |
| | **Items that will be reclassified to profit or loss:** | | | | | |
| 8361 | Foreign Exchange Differences on Translation of Financial Statements of Foreign Operations | | 32,539 | 1 | ( 15,728) | ( 1) |
| 8300 | **Other comprehensive income, net** | | $ 37,833 | 1 | ($ 19,030) | ( 1) |
| 8500 | **Comprehensive income** | | $ 356,176 | 10 | $ 258,506 | 7 |
| | Net Profit (Loss) Attributable to: | | | | | |
| 8610 | Parent Company Owners | | $ 319,549 | 9 | $ 258,404 | 7 |
| 8620 | Non-controlling Interests | | ( 1,206) | - | 19,132 | 1 |
| | Total | | $ 318,343 | 9 | $ 277,536 | 8 |
| | Total Comprehensive Income (Loss) Attributable to: | | | | | |
| 8710 | Parent Company Owners | | $ 353,105 | 10 | $ 241,608 | 7 |
| 8720 | Non-controlling Interests | | 3,071 | - | 16,898 | - |
| | Total | | $ 356,176 | 10 | $ 258,506 | 7 |
| | Earnings Per Share: | 6(26) | | | | |
| 9750 | Basic | | $ 4.20 | | $ 3.39 | |
| 9850 | Diluted | | $ 4.14 | | $ 3.35 | |

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2024 and 2023
(expressed in thousands of New Taiwan Dollar)

| | Note | Equity attributable to owners of parent | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained earnings | | | Other equity interest | | | | |
| | | Ordinary shares | Capital surplus | Legal reserve | Special reserve | Unappropriated retained earnings | Exchange differences on translation of foreign financial statements | Unrealized gains from financial assets measured at fair value through other comprehensive income | Total | Non-controlling interests | Total |
| 2023 | | | | | | | | | | | |
| **Balance at January 1, 2023** | | $ 761,524 | $ 128,616 | $ 245,884 | $ 102,117 | $ 379,612 | ($ 48,124) | ($ 33,318) | $ 1,536,311 | $ 99,595 | $ 1,635,906 |
| Current Period Net Profit | | - | - | - | - | 258,404 | - | - | 258,404 | 19,132 | 277,536 |
| Current Period Other Comprehensive Income | 6(19) | - | - | - | - | (3,302) | (13,494) | - | (16,796) | (2,234) | (19,030) |
| Total Comprehensive Income for the Period | | - | - | - | - | 255,102 | (13,494) | - | 241,608 | 16,898 | 258,506 |
| Earnings distribution of 2022 | | | | | | | | | | | |
| Allocation to Statutory Surplus Reserve | | - | - | 21,972 | - | (21,972) | - | - | - | - | - |
| Allocation to Special Surplus Reserve | | - | - | - | (20,675) | 20,675 | - | - | - | - | - |
| Cash Dividends | 6(18) | - | - | - | - | (152,304) | - | - | (152,304) | - | (152,304) |
| Cash dividends distribute to non-controlling interests | | - | - | - | - | - | - | - | - | (847) | (847) |
| **Balance as of December 31, 2023** | | $ 761,524 | $ 128,616 | $ 267,856 | $ 81,442 | $ 481,113 | ($ 61,618) | ($ 33,318) | $ 1,625,615 | $ 115,646 | $ 1,741,261 |
| 2024 | | | | | | | | | | | |
| **Balance at January 1, 2024** | | $ 761,524 | $ 128,616 | $ 267,856 | $ 81,442 | $ 481,113 | ($ 61,618) | ($ 33,318) | $ 1,625,615 | $ 115,646 | $ 1,741,261 |
| Current Period Net Profit | | - | - | - | - | 319,549 | - | - | 319,549 | (1,206) | 318,343 |
| Current Period Other Comprehensive Income | 6(19) | - | - | - | - | 5,294 | 28,262 | - | 33,556 | 4,277 | 37,833 |
| Total Comprehensive Income for the Period | | - | - | - | - | 324,843 | 28,262 | - | 353,105 | 3,071 | 356,176 |
| Earnings distribution of 2023 | | | | | | | | | | | |
| Allocation to Statutory Surplus Reserve | | - | - | 25,509 | - | (25,509) | - | - | - | - | - |
| Allocation to Special Surplus Reserve | | - | - | - | 13,494 | (13,494) | - | - | - | - | - |
| Cash Dividends | 6(18) | - | - | - | - | (182,766) | - | - | (182,766) | - | (182,766) |
| Cash dividends distribute to non-controlling interests | | - | - | - | - | - | - | - | - | (2,273) | (2,273) |
| **Balance as of December 31, 2024** | | $ 761,524 | $ 128,616 | $ 293,365 | $ 94,936 | $ 584,187 | ($ 33,356) | ($ 33,318) | $ 1,795,954 | $ 116,444 | $ 1,912,398 |

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(expressed in thousands of New Taiwan Dollar)

| | Note | 2024 | 2023 |
|---|---|---|---|
| Operating Cash Flows: | | | |
| Current Period Pre-tax Net Profit | | $ 407,839 | $ 359,225 |
| Adjustments: | | | |
| Items of Income and Expense | | | |
| Expected Credit Impairment Loss (Gain) | 12(2) | 55,644 | 28,231 |
| Depreciation Expense (including Amortization of Right-of-Use Assets) | 6(7)(8)(23) | 65,789 | 66,346 |
| Amortization Expense | 6(23) | 2,822 | 2,920 |
| Interest Expense | 6(8)(11)(14) | 9,058 | 8,848 |
| Interest Income | | ( 5,762 ) | ( 5,141 ) |
| Dividend Income | 6(21) | ( 2,511 ) | ( 2,386 ) |
| Gain on Disposal of Property, Plant, and Equipment | 6(22) | ( 679 ) | ( 1,430 ) |
| Gain on Lease Modification | 6(8)(22)(27) | - | ( 3,413 ) |
| Net Changes in Assets/Liabilities Related to Operating Activities | | | |
| Net Change in Assets Related to Operating Activities | | | |
| Contract Assets - Current | | 16,340 | ( 78,266 ) |
| Notes Receivable | | 6,393 | 134,233 |
| Notes Receivable - Related Parties | | 14,705 | 28,192 |
| Accounts Receivable (including Long-term Notes and Accounts Receivable) | | 321,972 | ( 500,301 ) |
| Accounts Receivable - Related Parties | | 3,670 | ( 7,259 ) |
| Inventory | | 210,294 | 11,795 |
| Other Current Assets - Other | | ( 42,872 ) | 834 |
| Current portion of Contract Liabilities | | | |
| Accounts Payable Notes | | ( 19,791 ) | 60,238 |
| Accounts Payable | | ( 91,518 ) | 111,980 |
| Accounts Payable - Related Parties | | ( 259,647 ) | 61,917 |
| Other Payables | | ( 16,452 ) | 113,697 |
| Current Provision | | 25,291 | 12,652 |
| Other Current Liabilities - Other | | 394 | 13,159 |
| Net Defined Benefit Liabilities - Non-current | | ( 41,163 ) | 40,081 |
| Accounts Payable Notes | | ( 5,050 ) | ( 9,799 ) |
| Cash Inflows Generated from Operations: | | 654,766 | 446,353 |
| Interest Received | | 5,752 | 5,141 |
| Dividends Received | | 2,511 | 2,386 |
| Interest Paid | | ( 8,970 ) | ( 8,973 ) |
| Income Tax Paid | | ( 77,309 ) | ( 34,774 ) |
| Net Cash Inflow from Operating Activities | | 576,750 | 410,133 |

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD.
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(expressed in thousands of New Taiwan Dollar)

| | Note | 2024 | 2023 |
|---|---|---|---|
| Investing Cash Flows: | | | |
| Purchase of Property, Plant, and Equipment | 6(27) | ( $ 78,090 ) | ( $ 81,636 ) |
| Increase in Prepayments for Equipment | | ( 4,565 ) | ( 15,391 ) |
| Proceeds from Disposal of Property, Plant, and Equipment | | 689 | 5,364 |
| Purchase of Intangible Assets | | ( 689 ) | ( 1,368 ) |
| Decrease (Increase) in Deposits for Guarantees | | 3,749 | 6,070 |
| Increase in Other Non-current Assets - Other | | 600 | ( 600 ) |
| Net Cash Outflow from Investing Activities | | ( 78,306 ) | ( 87,561 ) |
| Financing Cash Flows: | | | |
| Proceeds from Short-term Borrowings | 6(28) | 593,142 | 440,053 |
| Repayment of Short-term Borrowings | 6(28) | ( 543,730 ) | ( 501,356 ) |
| Repayment of Long-term Borrowings | 6(28) | ( 25,304 ) | ( 29,746 ) |
| Repayment of Lease Principal | 6(28) | ( 6,995 ) | ( 8,791 ) |
| Increase (Decrease) in Deposits Received for Guarantees | | 506 | 1,532 |
| Payment of Cash Dividends | 6(18) | ( 182,766 ) | ( 152,304 ) |
| Cash Dividends Paid by Subsidiaries | | ( 2,273 ) | ( 847 ) |
| Net Cash Outflow from Financing Activities | | ( 167,420 ) | ( 251,459 ) |
| Effect of Exchange Rate Changes | | ( 9,485 ) | ( 2,257 ) |
| **Net Increase (Decrease) in Cash and Cash Equivalents for the Period** | | 321,539 | 68,856 |
| **Beginning Cash and Cash Equivalents Balance** | 6(1) | 472,058 | 403,202 |
| **Ending Cash and Cash Equivalents Balance** | 6(1) | $ 793,597 | $ 472,058 |

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

KUEN LING MACHINERY REFRIGERATING CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(Expressed in thousands of New Taiwan Dollar unless otherwise specified)

## 1. Company history

KUEN LING MACHINERY REFRIGERATING CO., LTD. ("the Company") was established in April, 1988 with approval. The main business of the Company includes the installation, maintenance, repair, assembly, manufacturing, processing, buying and selling, domestic and international sales, and leasing of condensers, ice water coolers, ice water units, and refrigeration units.

The Company's stocks have been traded on the Taiwan Stock Exchange (TWSE) since September of the 89th year of the Republic of China (ROC).

For details on the main operating activities of the Company and its subsidiaries ("the Group"), please refer to Note 4(3).

## 2. Approval date and procedures of the consolidated financial statements

These consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2025.

## 3. New standards, amendments and interpretations adopted

### A. The impact of new and revised International Financial Reporting Standards and Interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC"

The Group has initially adopted the following new amendments, which do not have a significant impact on its financial condition and financial performance, from January 1, 2024：

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendment to IFRS 16 “Sale and leaseback transaction”

### B. The impact of IFRS endorsed by FSC but not adopted yet

The Group has evaluated that the adoption of following new amendments, which will be effective from January 1, 2025, will not have a significant impact on its financial condition and financial performance.

- Amendments to IAS 21 “Lack of Exchangeability”

C. Newly released or amended standards and interpretations not yet endorsed by the FSC:

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial condition and financial performance:

| New, Amended and Revised Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendments to IFRS 9 and IFRS 7 - "Amendments to the Classification and Measurement of Financial Instruments" | January 1, 2026 |
| Amendments to IFRS 9 and IFRS 7 – "Contracts Referencing Nature-dependent Electricity" | January 1, 2026 |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | Pending decision by the IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 "Insurance Contracts" | January 1, 2023 |
| IFRS 17 and IFRS 9-Comparative Information (Amendment to IFRS 17) | January 1, 2023 |
| IFRS 18 "Presentation and Disclosure in Financial Statements" | January 1, 2027 |
| IFRS 19 "Subsidiaries without Public Accountability: Disclosures" | January 1, 2027 |
| IFRS Accounting Standards "Annual Improvements-Volume 11" | January 1, 2026 |

(1) Amendments to IFRS 9 and IFRS 7 – "Amendments to the Classification and Measurement of Financial Instruments"

Updating the irrevocable option to designate equity instruments as measured at fair value through other comprehensive income (FVOCI), the fair value for each category should be disclosed, but no need to disclose fair value information for each specific investment.

Additionally, the fair value gains or losses recognized in other comprehensive income during the reporting period should be disclosed, distinguishing between the fair value gains or losses related to investments derecognized during the reporting period and those related to investments still held at the end of the reporting period. It is also necessary to disclose the cumulative gains or losses transferred to equity due to investments derecognized during the reporting period.

(2) IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will replace IAS 1 and will update the structure of the statement of comprehensive income, adding disclosure requirements for management performance measures and enhancing the principles for aggregation and disaggregation applied to the primary financial statements and notes.

4. Summary of significant accounting policies

The significant accounting policies presented in the financial statements are summarized as follows. The following accounting policies were applied consistently throughout the presented periods in the financial statements.

(1) Statement of compliance

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

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. The basis for the preparation of consolidated financial statements is as follows:

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

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

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

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Business activity | Ownership (%) December 31, 2024 | Ownership (%) December 31, 2023 | Explanation |
|---|---|---|---|---|---|
| The Company | CHING CHI INTERNATIONAL LIMITED | Invest in other region | 83 | 83 | |
| The Company | KLEAN AIR ENTERPRISE LTD. | Invest in other region | 100 | 100 | |
| The Company | ECHEN LIANCHI ENTERPRISES CO., LTD. | General manufacturing | 70 | 70 | |
| The Company | COZY AIR-CONDITIONING CO., LTD. | Merchandise sales and trading business | 100 | 100 | |
| CHING CHI INTERNATIONAL LIMITED | KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | Engaged in the manufacturing and sales of ice water machines, etc. | 100 | 100 | |
| CHING CHI INTERNATIONAL LIMITED | KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | General manufacturing | 100 | 100 | |
| KLEAN AIR ENTERPRISE LTD. | KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO.,LTD. | General manufacturing | 100 | 100 | |
| KLEAN AIR ENTERPRISE LTD. | KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD. | Merchandise sales and trading business | 99 | 99 | note |
| KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO.,LTD. | KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD. | Merchandise sales and trading business | 1 | 1 | note |

note: On March 12, 2024, the board of directors and shareholders' meeting resolved that KLEAN AIR ENTERPRISE LTD.'s investment in KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD. will close its business. The relevant procedures are currently being processed.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

The total non-controlling interests of the Group as of December 31, 2024 and 2023 were $116,444 and $115,646 respectively. The following is information about the non-controlling interests that are significant to the Group and its subsidiaries:

| | | Non-controlling interests | | | | |
|---|---|---|---|---|---|---|
| | | December 31, 2024 | | December 31, 2023 | | |
| **Name of subsidiaries** | **Primary business locations** | **Amount** | **%** | **Amount** | **%** | **Explanation** |
| CHING CHI INTERNATIONAL LIMITED | China | $111,120 | 17 | $111,065 | 17 | note |

note: The registered country of this subsidiary is the British Virgin Islands.

Summary financial information of subsidiaries:

Balance sheet

| | CHING CHI INTERNATIONAL LIMITED and its Subsidiaries | |
|---|---|---|
| | **December 31, 2024** | **December 31, 2023** |
| Current assets | $ 1,145,729 | $ 1,618,087 |
| Non-current assets | 195,601 | 196,104 |
| Current liabilities | ( 650,728) | ( 1,129,352) |
| Non-current liabilities | ( 36,957) | ( 31,516) |
| Total net assets | $ 653,645 | $ 653,323 |

Consolidated Profit and Loss Statement

| | CHING CHI INTERNATIONAL LIMITED and its Subsidiaries | |
|---|---|---|
| | 2024 | 2023 |
| Revenue | $ 1,364,864 | $ 2,180,016 |
| Profit(loss) before income tax | ($ 8,031) | $ 124,039 |
| Income tax expense | ( 5,270) | ( 13,519) |
| Profit (loss) for the year | ( 13,301) | 110,520 |
| Other comprehensive income(loss) | ( 28,411) | ( 27,561) |
| Total comprehensive income(loss) | ($ 41,712) | $ 82,959 |

Cash flow statement

| | CHING CHI INTERNATIONAL LIMITED and its Subsidiaries | |
|---|---|---|
| | 2024 | 2023 |
| Net cash provided by (used in) operating activities | $ 296,998 | ($ 28,858) |
| Net cash flows from investing activities: | ( 4,915) | ( 40,279) |
| Net cash flows from (used in) financing activities. | ( 43,131) | 33,553 |
| Effect of exchange rate changes on cash | ( 10,318) | ( 166) |
| Net increase (decrease) in cash and cash equivalents | 238,634 | ( 35,750) |
| Cash and cash equivalents at beginning of period | 184,675 | 220,425 |
| Cash and cash equivalents at end of period | $ 423,309 | $ 184,675 |

(4) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

(a) Assets and liabilities presented in each balance sheet are translated at spot exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Lease payments receivable / Operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

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

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

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

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

The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and structures | 3~55 years |
| Machinery and equipment | 2~15 years |
| Transportation equipment | 2~10 years |
| Office equipment | 3~10 years |
| Leasehold improvements | 3~10 years |
| Other equipment | 3~11 years |

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

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

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

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

(b) Variable lease payments that depend on an index or a rate.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
   (a) The amount of the initial measurement of lease liability;
   (b) Any lease payments made at or before the commencement date;
   (c) Any initial direct costs incurred by the lessee; and
   (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(15) Intangible assets

Intangible assets mainly pertain to computer software which is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
B. The short-term accounts and notes payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

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

(23) Income tax

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

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

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

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

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

(24) Dividends

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

(25) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells condensers, chillers, chiller units and condensing units and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) The Group’s obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

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

(d) Some contracts include multiple deliverables. In most cases, the installation is simple, does not include an integration service and could be performed by another party or supplier. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

B. Service revenue

Revenue from providing services is recognised in the accounting period in which the services are rendered.

C. Engineering service revenue

(a) Some contracts include sales, installation and integration services of equipment. The equipment, the installation and the integration services provided by the Group are not distinct and are identified to be one performance obligation satisfied over time since the installation and integration services involve significant customisation and modification. The Group recognises revenue on the basis of costs incurred relative to the total expected costs.

(b) The Group’s estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(c) The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

D. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

E. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense when incurred although the Group expects to recover those costs.

(26) Government grants

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

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments.

## 5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

Impairment assessment of accounts receivable

When there is a significant increase in credit risk on the financial instrument since initial recognition, loss allowance of the financial instrument is measured by lifetime expected credit losses. After taking into consideration all reasonable and verifiable information, the Group recognises lifetime expected credit losses for all financial instruments for which there have significant increases in credit risk since initial recognition after considering all reasonable and supportable information. The measurement of expected credit losses considers the risk or probability that a credit loss occurs.

As of December 31, 2024, the Group recognised loss allowance amounting to $116,253.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Cash on hand and revolving fund | $ 1,179 | $ 996 |
| Checking account and demand deposits | 792,418 | 471,062 |
| | $ 793,597 | $ 472,058 |

1. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
2. The Company has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable, net

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Note receivable | $ 327,796 | $ 326,012 |
| Less: Allowance for uncollectable accounts | ( 24) | ( 24) |
| | 327,772 | 325,988 |
| Note receivable from related parties (Note7) | 12,331 | 27,036 |
| | $ 340,103 | $ 353,024 |
| Accounts receivable | $ 998,425 | $ 1,288,028 |
| Less: Allowance for uncollectable accounts | ( 116,229) | ( 61,824) |
| | 882,196 | 1,226,204 |
| Accounts receivable from related parties (Note7) | 16,440 | 12,286 |
| | $ 898,636 | $ 1,238,490 |

The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is as follows:

| | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Notes receivable | Accounts receivable | Notes receivable | Accounts receivable |
| Not past due | $ 340,127 | $ 847,584 | $ 353,048 | $ 1,214,523 |
| Past due： | | | | |
| Up to 30 days | - | 36,255 | - | 26,030 |
| 31 to 90 days | - | 53,094 | - | 14,194 |
| 91 to 180 days | - | 9,685 | - | 7,815 |
| 181 days to 1 years | - | 41,184 | - | 28,214 |
| 1 to 2 years | - | 20,581 | - | 5,113 |
| Over 2 years | - | 6,482 | - | 4,425 |
| | $ 340,127 | $ 1,014,865 | $ 353,048 | $ 1,300,314 |

The above ageing analysis was based on past due date.

B. As of December 31, 2024 and 2023, notes receivable and accounts receivable were all from contracts with customers. And as of January 1, 2023, the balance of receivables from contracts with customers amounted to $1,322,140.

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

D. As of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes and accounts receivable was $1,238,739 and $1,591,514, respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

F. As of December 31, 2024 and 2023, the Group transferred the bank acceptance to suppliers as payment in the same amount. The notes receivable derecognized but not yet matured amounted to $43,204 (RMB 9,621 thousand) and $59,589 (RMB 13,786 thousand), respectively.

G. Please refer to Note 6(10) for the information of long-term receivables.

(3) Inventories

| | December 31, 2024 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Note book value |
| Materials and supplies | $ 291,553 | ($ 35,065) | $ 256,488 |
| Work in progress | 70,270 | - | 70,270 |
| Finished goods | 147,299 | ( 17,064) | 130,235 |
| Merchandise | 3,079 | ( 2,611) | 468 |
| | $ 512,201 | ($ 54,740) | $ 457,461 |

| | December 31, 2023 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Note book value |
| Materials and supplies | $ 310,455 | ($ 41,434) | $ 269,021 |
| Work in progress | 124,566 | ( 4) | 124,562 |
| Finished goods | 254,775 | ( 17,029) | 237,746 |
| Merchandise | 10,440 | ( 3,004) | 7,436 |
| Materials and supplies in transit | 6,797 | - | 6,797 |
| | $ 707,033 | ($ 61,471) | $ 645,562 |

The cost of inventories recognised as expense for the year:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Cost of goods sold | $ 2,324,413 | $ 2,261,072 |
| Loss on decline in market value | ( 5,639) | 16,813 |
| Others | 422,756 | 358,129 |
| | $ 2,741,530 | $ 2,636,014 |

(4) Other assets-current

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Prepayment | $ 119,839 | $ 61,239 |
| Other receivables | 3,880 | 2,518 |
| Guarantee deposits paid-current | 2,039 | 6,065 |
| Office supplies | 1,491 | 1,539 |
| Current financial asset at amortised | 600 | 1,127 |
| Retained tax credit | 374 | 10,931 |
| Other | 188 | 870 |
| | $ 128,411 | $ 84,289 |

As of December 31, 2024 and 2023, the Group pledged time deposits maturing over three months as collateral and classified it as 'financial assets at amortised cost' in the amount of $600 and $1,127; refer to Notes 8 for details.

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

| Items | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Non-current items： | | |
| Equity instruments | | |
| Unlisted stocks | | |
| Feng-Hou Corporation | $ 5,720 | $ 5,720 |
| KA LING INDUSTRIAL CORP. | 4,039 | 4,039 |
| | 9,759 | 9,759 |
| Valuation adjustment | - | - |
| | $ 9,759 | $ 9,759 |

A. The Group has elected to classify unlisted stocks investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments all amounted to $9,759 as at December 31, 2024 and 2023.

B. The Group has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(6) Investments accounted for using equity method

The Group held 23.5% equity interest of the investee, STAT ROYAL CO., LTD., and recognised impairment losses on the former carrying amount due to the assessment that the investment has been impaired.

## (7) Property, plant and equipment

| | | Buildings and structures | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land | Owner occupied | Lease | Subtotal | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Unfinished construction and equipment under acceptance | Total |
| January 1, 2024 | | | | | | | | | | | |
| Cost | $137,865 | $550,715 | $ 85,879 | $636,594 | $329,604 | $ 61,536 | $ 28,528 | $ 6,624 | $ 14,786 | $ 19,443 | $1,234,980 |
| Accumulated depreciation and impairment | - | ( 278,167) | ( 20,254) | ( 298,421) | ( 236,786) | ( 45,103) | ( 16,659) | ( 3,130) | ( 10,257) | - | ( 610,356) |
| | $137,865 | $272,548 | $ 65,625 | $338,173 | $ 92,818 | $ 16,433 | $ 11,869 | $ 3,494 | $ 4,529 | $ 19,443 | $ 624,624 |
| 2024 | | | | | | | | | | | |
| January 1 | $137,865 | $272,548 | $ 65,625 | 338,173 | $ 92,818 | $ 16,433 | $ 11,869 | $ 3,494 | $ 4,529 | $ 19,443 | $ 624,624 |
| Additions | - | 2,316 | - | 2,316 | 11,413 | 6,008 | 1,620 | 242 | 3,163 | 54,477 | 79,239 |
| Transfers from prepayment for business facilities | - | - | - | - | 10,440 | - | - | - | 2,588 | ( 9,425) | 3,603 |
| Depreciation charge | - | ( 24,574) | ( 4,581) | ( 29,155) | ( 19,450) | ( 5,682) | ( 3,035) | ( 656) | ( 1,568) | - | ( 59,546) |
| Disposals-cost | - | ( 9,607) | - | ( 9,607) | ( 1,200) | ( 5,482) | ( 167) | - | - | - | ( 16,456) |
| Disposals-accumulated depreciation | - | 9,607 | - | 9,607 | 1,190 | 5,482 | 167 | - | - | - | 16,446 |
| Net exchange differences | - | 4,688 | 3,674 | 8,362 | 2,301 | 155 | 102 | - | 5 | - | 10,925 |
| December 31 | $137,865 | $254,978 | $ 64,718 | $319,696 | $ 97,512 | $ 16,914 | $ 10,556 | $ 3,080 | $ 8,717 | $ 64,495 | $ 658,835 |
| December 31, 2024 | | | | | | | | | | | |
| Cost | $137,865 | $553,152 | $ 90,792 | $643,944 | $356,382 | $ 62,869 | $ 30,581 | $ 6,866 | $ 20,623 | $ 64,495 | $1,323,625 |
| Accumulated depreciation and impairment | - | ( 298,174) | ( 26,074) | ( 324,248) | ( 258,870) | ( 45,955) | ( 20,025) | ( 3,786) | ( 11,906) | - | ( 664,790) |
| | $137,865 | $254,978 | $ 64,718 | $319,696 | $ 97,512 | $ 16,914 | $ 10,556 | $ 3,080 | $ 8,717 | $ 64,495 | $ 658,835 |

| | Land | Buildings and structures | | | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Unfinished construction and equipment under acceptance | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Owner occupied | Lease | Subtotal | | | | | | | |
| January 1, 2023 | | | | | | | | | | | |
| Cost | $137,865 | $537,213 | $ 87,743 | $624,956 | $342,242 | $ 58,834 | $ 31,622 | $ 6,624 | $ 13,673 | $ 11,490 | $ 1,227,306 |
| Accumulated depreciation and impairment | - | (265,417) | (16,189) | (281,606) | (263,141) | (48,842) | (20,663) | (2,504) | (9,491) | - | (626,247) |
| | $137,865 | $271,796 | $ 71,554 | $343,350 | $ 79,101 | $ 9,992 | $ 10,959 | $ 4,120 | $ 4,182 | $ 11,490 | $ 601,059 |
| 2023 | | | | | | | | | | | |
| January 1 | $137,865 | $271,796 | $ 71,554 | $343,350 | $ 79,101 | $ 9,992 | $ 10,959 | $ 4,120 | $ 4,182 | $ 11,490 | $ 601,059 |
| Additions | - | 19,175 | - | 19,175 | 16,241 | 10,993 | 2,552 | - | 1,550 | 32,652 | 83,163 |
| Transfers from prepayment for business facilities | - | 6,721 | - | 6,721 | 21,757 | - | 994 | - | - | (24,476) | 4,996 |
| Depreciation charge | - | (23,195) | (4,477) | (27,672) | (19,748) | (4,525) | (2,621) | (626) | (1,202) | - | (56,394) |
| Disposals-cost | - | (7,973) | - | (7,973) | (48,016) | (7,951) | (6,367) | - | (392) | - | (70,699) |
| Disposals-accumulated depreciation | - | 7,973 | - | 7,973 | 44,104 | 7,951 | 6,345 | - | 392 | - | 66,765 |
| Net exchange differences | - | (1,949) | (1,452) | (3,401) | (621) | (27) | 7 | - | (1) | (223) | (4,266) |
| December 31 | $137,865 | $272,548 | $ 65,625 | $338,173 | $ 92,818 | $ 16,433 | $ 11,869 | $ 3,494 | $ 4,529 | $ 19,443 | $ 624,624 |
| December 31, 2023 | | | | | | | | | | | |
| Cost | $137,865 | $550,715 | $ 85,879 | 636,594 | $329,604 | $ 61,536 | $ 28,528 | $ 6,624 | $ 14,786 | $ 19,443 | $ 1,234,980 |
| Accumulated depreciation and impairment | - | (278,167) | (20,254) | (298,421) | (236,786) | (45,103) | (16,659) | (3,130) | (10,257) | - | (610,356) |
| | $137,865 | $272,548 | $ 65,625 | $338,173 | $ 92,818 | $ 16,433 | $ 11,869 | $ 3,494 | $ 4,529 | $ 19,443 | $ 624,624 |

A. For the years ended December 31, 2024 and 2023, no interest expense was capitalised as part of property, plant and equipment.

B. During the period from 2004 to 2011, the Group acquired an auction-purchased land from Chung-Kuo Tseng, the Chairman of the Group. However, part of the land was restricted by the current laws and regulations that prevent legal persons from purchasing agricultural land, so the transfer and transfer procedures can only be carried out after division and change in land category. As of the date of reviewing report, the change in land category and transfer procedures for the land have not yet been completed. However, the Group kept the land ownership certificate and other information in the Company as a preservation measure.

C. The significant components of buildings include main plants, elevators and decoration equipment, which are depreciated over 55, 15 and 3 years, respectively.

D. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

## (8) Leasing arrangements－lessee

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, lent or used in any way that may affect the ownership of the lessor.

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

| | December 31, 2024 Carrying amount | December 31, 2023 Carrying amount |
|---|---|---|
| Land | $ 18,781 | $ 18,427 |
| Buildings | 35,380 | 35,939 |
| | $ 54,161 | $ 54,366 |

| | 2024 Depreciation charge | 2023 Depreciation charge |
|---|---|---|
| Land | $ 586 | $ 574 |
| Buildings | 5,657 | 9,378 |
| | $ 6,243 | $ 9,952 |

C. For the years ended December 31, 2024 and 2023, the Group has increases in right-of-use assets of $3,701 and $39,506, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

| | 2024 | 2023 |
|---|---|---|
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | $ 1,552 | $ 1,898 |
| Expense on leases of low value assets | 409 | 287 |
| Profit from lease modification | - | 3,413 |

E. For the years ended December 31, 2024 and 2023, the Group’s total cash outflow for leases were $8,956 and $10,976, respectively.

F. For information about the right-of-use assets that were pledged to others as collateral, please refer to Note 8 for the details.

(9) Leasing arrangements - lessor

A. The Group leases various assets mainly consisting of buildings. Rental contracts are typically made for periods of 5-15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as pledge, mortgage or joint venture with third parties.

B. For the years ended December 31, 2024 and 2023, the Group recognised rent income in the amounts of $23,947 and $14,589, respectively, based on the operating lease agreement, which does not include variable lease payments.

C. The maturity analysis of the lease payments under the operating leases is as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Within 1 year | $ 21,191 | $ 22,029 |
| Later than 1 year but not later than 3 years | 42,972 | 38,343 |
| More than 3 years | 191,327 | 127,709 |
| | $ 255,490 | $ 188,081 |

(10) Long-term receivables

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Total long term account receivable | $ 261 | $ 785 |
| Less: unrealized interest revenue | ( 3) | ( 20) |
| | $ 258 | $ 765 |

As of December 31, 2024 and 2023, the circumstances of each year's expected recovery of the portion of the long-term accounts receivable collection period over one year due to installment payments sales are as follows:

| Term | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Within 1 year | $ 258 | $ 507 |
| Later than 1 year but not later than 2 years | - | 258 |
| | $ 258 | $ 765 |

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

B. As of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's long-term accounts receivable was $258 and $765, respectively.

C. Information relating to credit risk of long-term receivables is provided in Note 12(2).

(11) Short-term borrowings

| Type of borrowing | December 31, 2024 | Range of Interest Rate | Collateral |
|---|---|---|---|
| **Bank Loans** | | | |
| **Unsecured Loans**: None | $ 184,998 | 1.83%～3.50% | None |
| Letter of Credit for Material Purchases | 22,607 | 5.48%～6.33% | None |
| **Secured Loans** | 27,139 | 5.57%～5.71% | Land use rights and buildings |
| | $ 234,744 | | |

| Type of borrowing | December 31, 2023 | Range of Interest Rate | Collateral |
|---|---|---|---|
| **Bank Loans** | | | |
| **Unsecured Loans**: None | $ 143,529 | 1.60%~3.45% | None |
| Letter of Credit for Material Purchases | 9,841 | 6.50%～6.78% | None |
| **Secured Loans** | 29,159 | 6.31%～7.00% | Land use rights and buildings |
| | $ 182,529 | | |

A. Interest expense recognised in profit or loss amounted to $6,600 and $4,728 for the years ended December 31, 2024 and 2023, respectively.

B. Please refer to Note 8 for the details of collateral for the credit line for short-term borrowings.

C. Part of the Group's credit loans are processed in accordance with the Ministry of Economic Affairs' "Guidelines for Assisting SMEs in Low-Carbon and Smart Transformation Development and Infrastructure Optimization Projects for Regulated and Specific Factories." The interest subsidy rate is based on Chunghwa Post's 2 year time deposit floating rate. The maximum interest subsidy period for the loan is 1 year.

(12) Other payables

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Salaries and wages and year-end bonuses payable | $ 123,190 | $ 97,700 |
| Payable on technical service expense | 86,261 | 100,988 |
| Employees' compensation payable | 51,705 | 40,202 |
| Commodity tax payable | 22,918 | 12,604 |
| Business tax payable | 17,083 | 11,760 |
| Directors' remuneration payable | 14,378 | 11,501 |
| Payable on equipment | 6,294 | 5,145 |
| Payable on construction | 5,220 | 7,919 |

| | | |
|---|---|---|
| Others | 58,909 | 68,774 |
| | $ 385,958 | $ 356,593 |

(13) Current provisions

| Warranty | 2024 | 2023 |
|---|---|---|
| January 1 | $ 62,051 | $ 49,160 |
| Additional provisions for the current period | 23,775 | 42,357 |
| Used in the period | ( 23,381) | ( 29,198) |
| Unused reversal in the current period | 1,018 | ( 268) |
| December 31 | $ 63,463 | $ 62,051 |

The Group gives warranties on products sold and services rendered in accordance with the contract agreement. Provision for warranty is estimated based on historical warranty experience. It is expected that provision for warranty will occur within the next year.

(14) Long-term borrowings/long-term liabilities, current portion

| Type of borrowing | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2024 |
|---|---|---|---|---|
| Long-term bank borrowings | | | | |
| Secured borrowings | From April 2020 to April 2025; principal is repayable in installments in accordance with the mutual agreement. | 8.60%-9.30% | Right-of-use assets | $ 3,874 |
| Less: current portion | | | | ( 3,874) |
| | | | | $ - |

| Type of borrowing | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2023 |
|---|---|---|---|---|
| Long-term bank borrowings | | | | |
| Secured borrowings | Borrowing period is from July 2019 to July 2024; principal is repayable in installments in accordance with the mutual agreement. | 2.08% | Land, buildings and structures | $ 15,000 |
| | From April 2020 to April 2025; principal is repayable in installments in accordance with the mutual agreement. | 7.00% | Right-of-use assets | 13,411 |
| | | | | 28,411 |
| Less: current portion | | | | ( 24,746) |
| | | | | $ 3,665 |

A. Interest expense recognised in profit or loss amounted to $906 and $2,222 for the years ended December 31, 2024 and 2023, respectively.

B. Please refer to Note 8 for the details of collateral for long-term borrowing.

(15) Pensions

A. (a) The Group has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Group contributes monthly an amount equal to 2.3% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Present value of defined benefit obligation | $ 100,833 | $ 103,303 |
| Fair value of plan assets | ( 48,423) | ( 39,226) |
| | $ 52,410 | $ 64,077 |

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

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2024 | | | |
| Balance on January 1 | $ 103,303 | ($ 39,226) | $ 64,077 |
| Service costs for the current period | 514 | - | 514 |
| Interest expense (income) | 1,239 | ( 471) | 768 |
| | 105,056 | ( 39,697) | 65,359 |
| Remeasurement amount: | | | |
| Actuarial benefits | - | ( 3,014) | ( 3,014) |
| Changes in financial assumptions | ( 3,533) | - | ( 3,533) |
| Experience Adjustment | ( 70) | - | ( 70) |
| | ( 3,603) | ( 3,014) | ( 6,617) |
| Contribute to retirement fund | - | ( 6,332) | ( 6,332) |
| Payment of pensions | ( 620) | 620 | - |
| Balance on December 31 | $ 100,833 | ($ 48,423) | $ 52,410 |

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2023 | | | |
| Balance on January 1 | $ 97,008 | ($ 27,279) | $ 69,729 |
| Service costs for the current period | 723 | - | 723 |
| Interest expense (income) | 1,358 | ( 382) | 976 |
| | 99,089 | ( 27,661) | 71,428 |
| Remeasurement amount: | | | |
| Actuarial benefits | - | ( 87) | ( 87) |
| Changes in financial assumptions | 1,943 | - | 1,943 |
| Experience Adjustment | 2,271 | - | 2,271 |
| | 4,214 | ( 87) | 4,127 |
| Contribute to retirement fund | - | ( 11,478) | ( 11,478) |
| Balance on December 31 | $ 103,303 | ($ 39,226) | $ 64,077 |

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

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

| | 2024 | 2023 |
|---|---|---|
| Discount rate | 1.60% | 1.20% |
| Future salary increase rate | 2.50% | 2.50% |

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

| | Discount rate | | Future salary increase rate | |
|---|---|---|---|---|
| | Increase by 0.25% | Reduce by 0.25% | Increase by 0.25% | Reduce by 0.25% |
| Impact on the present value of the determined benefit obligation | | | | |
| December 31, 2024 | ($ 2,121) | $ 2,188 | $ 1,912 | ($ 1,867) |
| December 31, 2023 | ($ 2,421) | $ 2,503 | $ 2,207 | ($ 2,150) |

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2025 amount to $9,699.

(g) As of December 31,2024 the weighted average duration of the retirement plan is 9 years.

B. (a) Effective July 1, 2005, the Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) KUEN LING MACHINERY REFRIGERATING CO., LTD. (SHANGHAI) and (SUZHOU) have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on 2% of employee's monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(c) KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD. has a defined pension plan. Monthly contributions to an independent fund administered by the Vietnam government in accordance with the pension regulations in the local government are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(d) PT. KUEN LING INDONESIA has a defined pension plan. Monthly contributions to an independent fund administered by the Indonesian government in accordance with the pension regulations in the local government are based on 2% of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.

(e)The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2024 and 2023, were $25,565 and $23,987, respectively.

(16) Share capital

A. As of December 31, 2024, the Group's authorised capital was $1,000,000, consisting of 100,000 thousand shares of ordinary stock (including 20,000 thousand shares of convertible bonds), and the paid-in capital was $761,524 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. For the years ended December 31, 2024 and 2023, the number of the Group's ordinary shares outstanding at the beginning and end of the year was both 76,152 shares.

(17) Capital surplus

A. Movements on the capital surplus for the years ended December 31, 2024 and 2023 are as follows:

| | Share premium | Treasury stock trading | Total |
|---|---|---|---|
| Balance on January 1 (i.e. December 31) | $ 128,615 | $ 1 | $ 128,616 |

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

(18) Retained earnings

A. The Company operates in a volatile industry environment and is in the stable growth stage. Considering the Company's future capital needs, long-term financial plans and to maximize shareholders' interests, under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital. After the provision or reversal of special reserve in accordance with the laws and regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders.

In accordance with laws, if the balance of the special reserve is insufficient compared to the total of the cumulative amount of net increase in fair value of investment property in a preceding period and the cumulative net amount of other deductions from equity in a preceding period, the Company shall first set aside an equivalent amount of special reserve from the undistributed earnings of the prior period before the appropriation of earnings. If there remains any insufficiency, it shall be set aside from the after-tax profit of the period plus items other than after-tax net profit of the period, that are included in the undistributed earnings of the period. After the provision or reversal of special reserve in accordance with the laws and regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders if dividends would be distributed by issuing new shares.

The Board of Directors of the Company can distribute all or part of the distributable dividends and bonus, capital surplus and legal reserve in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and report to the shareholders.

The amount of dividends and bonus distributed to shareholders shall be no less than 50% of the distributable earnings for the year, and cash dividends shall account for at least 10% of the current year total dividends distributed.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Group's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

In accordance with the abovementioned rules, the special reserve appropriated as a result of the Company's choice of reclassifying cumulative translation adjustment to retained earnings as of December 31, 2024 and 2023 were both $4,607.

D. (a) On March 12, 2024, the Board of Directors approved the distribution of dividends for the year 2023, which were $182,766 at a rate of $2.4 per ordinary share in cash. The shareholders were informed during the shareholders' meeting held on May 28, 2024. On June 14, 2023, the shareholders' meeting of the Company approved the distribution of dividends for the year 2022, which were $152,304 at $2.0 per ordinary share.

(b) On March 11, 2025, the Board of Directors approved that total dividends for the distribution of earnings for the year of 2024 was $243,688 at $3.2 (in dollars) per ordinary share.

(19) Other equity items

| | 2024 | | |
|---|---|---|---|
| | Currency translation | Unrealized gains (loses) on valuation | Total |
| January 1 | ($ 61,618) | ($ 33,318) | ($ 94,936) |
| Currency translation differences | | | |
| –Group | 28,262 | - | 28,262 |
| December 31 | ($ 33,356) | ($ 33,318) | ($ 66,674) |

| | 2023 | | |
|---|---|---|---|
| | Currency translation | Unrealized gains (loses) on valuation | Total |
| January 1 | ($ 48,124) | ($ 33,318) | ($ 81,442) |
| Currency translation differences | | | |
| –Group | ( 13,494) | - | ( 13,494) |
| December 31 | ($ 61,618) | ($ 33,318) | ($ 94,936) |

(20) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives operating revenue from contracts with customers and mainly from the transfer of goods and services over time and at a point in time in the following major product categories and geographical regions:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Taiwan | Mainland China | Vietnam | Other | Total |
| Equipment unit | $ 1,981,926 | $ 960,501 | $ 89,300 | $ 12,840 | $ 3,044,567 |
| System integration construction | 336,791 | - | - | - | 336,791 |
| Repair and maintenance | 170,541 | 85,289 | 6,655 | 5,536 | 268,021 |
| | $ 2,489,258 | $ 1,045,790 | $ 95,955 | $ 18,376 | $ 3,649,379 |
| Timing of revenue recognition | | | | | |
| At appoint in time | $ 1,981,926 | $ 960,501 | $ 89,300 | $ 12,840 | $ 3,044,567 |
| Over time | 507,332 | 85,289 | 6,655 | 5,536 | 604,812 |
| | $ 2,489,258 | $ 1,045,790 | $ 95,955 | $ 18,376 | $ 3,649,379 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Taiwan | Mainland China | Vietnam | Other | Total |
| Equipment unit | $ 1,514,686 | $ 1,377,400 | $ 40,258 | $ 7,673 | $ 2,940,017 |
| System integration construction | 301,369 | - | - | - | 301,369 |
| Repair and maintenance | 149,728 | 72,404 | 10,136 | 2,934 | 235,202 |
| | $ 1,965,783 | $ 1,449,804 | $ 50,394 | $ 10,607 | $ 3,476,588 |
| Timing of revenue recognition | | | | | |
| At appoint in time | $ 1,514,686 | $ 1,377,400 | $ 40,258 | $ 7,673 | $ 2,940,017 |
| Over time | 451,097 | 72,404 | 10,136 | 2,934 | 536,571 |
| | $ 1,965,783 | $ 1,449,804 | $ 50,394 | $ 10,607 | $ 3,476,588 |

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

| | December 31, 2024 | December 31, 2023 | January 1, 2023 |
|---|---|---|---|
| Contract asset： | | | |
| System integration Construction Contract | $ 69,515 | $ 85,855 | $ 7,589 |
| Contract liabilities： | | | |
| Equipment unit contract | $ 124,879 | $ 153,987 | $ 92,351 |
| System integration Construction Contract | 25,232 | 9,736 | 12,035 |
| | $ 150,111 | $ 163,723 | $ 104,386 |

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year:

| | 2024 | 2023 |
|---|---|---|
| Equipment unit contract | $ 139,255 | $ 79,001 |
| System integration construction contract | 9,736 | 12,035 |
| | $ 148,991 | $ 91,036 |

(c) As of December 31, 2024, the total transaction price allocated to unfulfilled performance obligations amounted to $205,665. The Group recognised the revenue based on the stage of completion of the system integration construction contract over time. The construction was expected to be completed in 2025.

(21) Other income

| | 2024 | 2023 |
|---|---|---|
| Rental income | $ 23,947 | $ 14,589 |
| Dividend income | 2,511 | 2,386 |
| Gains on doubtful debt recoveries | 673 | 5,713 |
| Other | 17,551 | 23,286 |
| | $ 44,682 | $ 45,974 |

(22) Other gains and losses

| | 2024 | 2023 |
|---|---|---|
| Profit from exchange | $ 4,780 | ($ 700) |
| Gains (losses)on disposals of property, plants and equipment | 679 | 1,430 |
| Lessees modification | - | 3,413 |
| Others | ( 1,006) | ( 2,242) |
| | $ 4,453 | $ 1,901 |

(23) Expenses by nature

| | 2024 | 2023 |
|---|---|---|
| Employee benefits expenses | $ 509,222 | $ 465,233 |
| Depreciation charge | 65,789 | 66,346 |
| Amortization charge | 2,822 | 2,920 |
| | $ 577,833 | $ 534,499 |

(24) Employee benefit expense

| | 2024 | 2023 |
|---|---|---|
| Wages and salaries | $ 400,280 | $ 373,810 |
| Labor and health insurance fees | 38,417 | 36,018 |
| Pension costs | 26,847 | 25,686 |
| Directors' emoluments | 20,785 | 12,538 |
| Other personnel expenses | 22,893 | 17,181 |
| | $ 509,222 | $ 465,233 |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3% ~ 7% for employees' compensation and shall not be higher than 3% for directors' remuneration. If the Company has accumulated deficit, earnings should be channeled to cover losses. The employees' compensation may be distributed in the form of shares or cash and the employees include the employees of subsidiaries of the Company meeting certain specific requirements. The aforementioned current year's earnings represent current year's profit before deducting tax and distributing employees' compensation and directors' remuneration.

B. For the years ended December 31, 2024 and 2023, employees' compensation was accrued at $27,313 and $22,739, respectively; while directors' remuneration was accrued at $11,706 and $9,745, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 7% and 3% of distributable profit of current year for the year ended December 31, 2024. The employees' compensation and directors' remuneration resolved by the Board of Directors were $27,313 and $11,706, and both will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2023 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2023 financial statements.

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

(25) Income tax

A. Income tax expense

(1) Components of income tax expense

| | 2024 | 2023 |
|---|---|---|
| Current income tax: | | |
| Income tax on profits | $ 85,390 | $ 66,218 |
| Undistributed surplus earnings | 1,667 | 3,919 |
| Prior year income tax underestimation | 1,919 | ( 5) |
| Total income tax for the current portion | 88,976 | 70,132 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 520 | 11,557 |
| Income tax expense | $ 89,496 | $ 81,689 |

(2) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

| | 2024 | 2023 |
|---|---|---|
| Remeasurement of benefit obligations | $ 1,323 | ($ 825) |

B. Reconciliation between income tax expense and accounting profit

| | 2024 | 2023 |
|---|---|---|
| Net profit before tax calculated according to the statutory tax rate (note) | $ 128,416 | $ 115,847 |
| Impact amount of income tax exempt according to tax law | ( 42,506) | ( 38,072) |
| Undistributed earnings tax | 1,667 | 3,919 |
| Underestimation (overestimation) of income tax in previous years | 1,919 | ( 5) |
| Income tax expense | $ 89,496 | $ 81,689 |

note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

| | 2024 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| - Deferred tax assets: | | | | |
| Recognition of pension costs | $ 12,815 | ($ 1,010) | ($ 1,323) | $ 10,482 |
| Product Service Guarantee | 7,241 | - | - | 7,241 |
| Allowance for inventory impairment losses | 5,601 | 390 | - | 5,991 |
| Allowance for doubtful debts | 1,885 | 142 | - | 2,027 |
| No vacation bonus | 488 | - | - | 488 |
| other | 6,982 | ( 2,035) | - | 4,947 |
| | 35,012 | ( 2,513) | ( 1,323) | 31,176 |
| - Deferred tax liabilities: | | | | |
| Investment income | ( 71,101) | 1,993 | - | ( 69,108) |
| | ($ 36,089) | ($ 520) | ($ 1,323) | ($ 37,932) |

| | 2023 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| - Deferred tax assets: | | | | |
| Recognition of pension costs | $ 11,946 | $ 44 | $ 825 | $ 12,815 |
| Product Service Guarantee | 7,244 | ( 3) | - | 7,241 |
| Allowance for inventory impairment losses | 4,648 | 953 | - | 5,601 |
| Allowance for doubtful debts | 388 | 1,497 | - | 1,885 |
| No vacation bonus | 488 | - | - | 488 |
| other | 3,963 | 3,019 | - | 6,982 |
| | 28,677 | 5,510 | 825 | 35,012 |
| - Deferred tax liabilities: | | | | |

| | | | | |
|---|---|---|---|---|
| Investment income | ( 54,034) | ( 17,067) | - | ( 71,101) |
| | ($ 25,357) | ($ 11,557) | $ 825 | ($ 36,089) |

D. KUEN LING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. was established as a wholly foreign owned manufacturing enterprise in Mainland China. Based on local regulations, the applicable income tax rate is 25%. For the year ended December 31, 2024 and 2023, the company is entitled to 10% tax relief as a qualified high-tech enterprise.

E. KUEN LING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. was established as a wholly foreign owned manufacturing enterprise in Mainland China. Based on local regulations, the applicable income tax rate is 25%.

F. KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD. was established as a wholly foreign owned manufacturing enterprise in Socialist Republic of Vietnam. Based on local regulations, the applicable income tax rate is 20%.

G. PT. KUEN LING INDONESIA was established as a wholly foreign owned trading enterprise in the Republic of Indonesia. Based on local regulations, the applicable income tax rate is 25%.

H. The Group’s income tax returns through 2022 have been assessed and approved by the Tax Authority. As of the report date, the Group has no significant administrative remedies for pending tax.

(26) Earnings per share

| | 2024 | | |
|---|---|---|---|
| | Earnings per share | Weighted average number of shares outstanding (in thousands) | Earning per share |
| Basic Earnings Per Share | | | |
| Net income attributable to ordinary shareholders of the parent company | $ 319,549 | 76,152 | $ 4.20 |
| Diluted Earnings Per Share | | | |
| Net income attributable to ordinary shareholders of the parent company | $ 319,549 | 76,152 | |
| Effect of potentially dilutive ordinary shares: | | | |
| Employee compensation | - | 992 | |
| Net income attributable to ordinary shareholders of the parent company The effect of potential ordinary shares | $ 319,549 | 77,144 | $ 4.14 |

| | 2023 | | |
|---|---|---|---|
| | Earnings per share | Weighted average number of shares outstanding (in thousands) | Earning per share |
| Basic Earnings Per Share | | | |
| Net income attributable to ordinary shareholders of the parent company | $ 258,404 | 76,152 | $ 3.39 |
| Diluted Earnings Per Share | | | |
| Net income attributable to ordinary shareholders of the parent company | $ 258,404 | 76,152 | |
| Effect of potentially dilutive ordinary shares: | | | |
| Employee compensation | - | 995 | |
| Net income attributable to ordinary shareholders of the parent company The effect of potential ordinary shares | $ 258,404 | 77,147 | $ 3.35 |

(27) Supplemental cash flow information

A.Investing activities with partial cash payments:

| | 2024 | 2023 |
|---|---|---|
| Purchase of property, plant and equipment | $ 79,239 | $ 83,163 |
| Add: Opening balance of payable on Equipment | 5,145 | 3,618 |
| Less: Ending balance of payable on Equipment | ( 6,294) | ( 5,145) |
| Cash paid | $ 78,090 | $ 81,636 |

B.Investing and financing activities with no cash flow effects:

| | 2024 | 2023 |
|---|---|---|
| Prepayment for equipment transferred to property and plant and equipment | $ 3,603 | $ 4,996 |
| Increase in right-of-use assets | $ 3,701 | $ 39,506 |
| Less: Increase in lease liabilities | ( 3,701) | ( 39,506) |
| | $ - | $ - |
| Decrease in right-of-use assets | $ - | $ 16,702 |
| Less: Increase in lease liabilities | - | ( 20,115) |
| Profit from lease modification | $ - | ($ 3,413) |
| Long-term loans due within one year | $ 3,874 | $ 24,746 |

(28) Changes in liabilities from financing activities

| | January 1,2024 | Changes in cash flow from financing activities | Changes in non-cash | December 31,2024 |
|---|---|---|---|---|
| Short-term borrowing | $ 182,529 | $ 49,412 | $ 2,803 | $ 234,744 |
| Long-term borrowings (note 1) | 28,411 | ( 25,304) | 767 | 3,874 |
| Lease liabilities (note 2) | 36,900 | ( 6,995) | 7,172 | 37,077 |
| Liabilities from financing activities-gross | $ 247,840 | $ 17,113 | $ 10,742 | $ 275,695 |

| | January 1,2023 | Changes in cash flow from financing activities | Changes in non-cash | December 31,2023 |
|---|---|---|---|---|
| Short-term borrowing | $ 244,786 | ($ 61,303) | ($ 954) | $ 182,529 |
| Long-term borrowings (note 1) | 58,658 | ( 29,746) | ( 501) | 28,411 |
| Lease liabilities (note 2) | 27,337 | ( 8,791) | 18,354 | 36,900 |
| Liabilities from financing activities-gross | $ 330,781 | ($ 99,840) | $ 16,899 | $ 247,840 |

note 1: Including current portion.

note 2: In addition, refer to Note 6(27) for supplemental cash flow information.

7. Related Party Transactions

(1) Names of related parties and relationship

| Name of related party | Relationship with the Group |
|---|---|
| TECO Electric and Machinery Co., Ltd. (TECO Electric & Machinery) | Individuals with significant influence on the Group |
| A-OK TECHNICAL SERVICE CO., LTD. | Individuals with significant influence on the Group |
| TOP-TOWER ENTERPRISES CO., LTD. | Individuals with significant influence on the Group |
| JIANGXI TECO AIR CONDITIONING EQUIPMENT CO., LTD. | Individuals with significant influence on the Group |
| TECO (Vietnam) Electric & Machinery CO., LTD. (TECO Technology (Vietnam) Co., Ltd.) | Individuals with significant influence on the Group |

(2) Significant related party transactions

A. Operating revenue

| | 2024 | 2023 |
|---|---|---|
| Sales of goods: | | |
| Individuals with significant influence | | |
| TECO Electric & Machinery | $ 37,907 | $ 56,223 |
| Others | 22,046 | 6,335 |
| | $ 59,953 | $ 62,558 |

Because there is no similar counterparty or transaction, the price of goods sold to related parties is conducted by mutual agreement. The collection term is 60 to 197 days after monthly billings for related parties, which is not materially different from the general transaction terms.

B. Purchases

| | 2024 | 2023 |
|---|---|---|
| Purchases of goods: | | |
| Individuals with significant influence | $ 2,015 | $ 7,958 |

Because there is no similar counterparty or transaction, the purchase prices with related parties are conducted by mutual agreement. The payment terms with related parties are 30 to 90 days after delivery, which is not materially different from the general transaction terms.

C. Receivables

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Notes receivable: | | |
| Entities with significant influence | | |
| TECO Electric & Machinery | $ 12,331 | $ 27,036 |
| Accounts receivable: | | |
| Entities with significant influence | | |
| TECO Electric & Machinery | 8,943 | 10,307 |
| Others | 7,497 | 1,979 |
| | 16,440 | 12,286 |
| Total | $ 28,771 | $ 39,322 |

D. Payables

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Notes payable: | | |
| Entities with significant influence | $ 41 | $ 69 |
| Accounts payable: | | |
| Entities with significant influence | 150 | 193 |
| Total | $ 191 | $ 262 |

(3) Key management compensation

| | 2024 | 2023 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 46,357 | $ 39,834 |
| Post-employment benefits | 245 | 218 |
| | $ 46,602 | $ 40,052 |

8. Pledged Assets

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

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2024 | December 31, 2023 | Purpose |
| Pledged time deposits (note 1) | $ 600 | $ 1,727 | Advance payment bonds issued by banks |
| Guarantee deposits paid - current (note 2) | 2,039 | 6,065 | Guarantee for bids |
| Land | 96,150 | 96,150 | Line of credit for long-term and short-term borrowing |
| Buildings and structure, net | 141,237 | 125,728 | Line of credit for long-term and short-term borrowing |
| Right-of-use assets, net | 12,994 | 12,689 | Line of credit for long-term and short-term borrowing |
| Guarantee deposits paid | 11,434 | 15,182 | Construction performance bond or maintenance bond |
| | $ 264,454 | $ 257,541 | |

note 1: Financial assets at amortised cost, shown as 'other current assets, others'.
note 2: Shown as 'other current assets, others'.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) The amount of the performance promissory note issued by the Group for the sale of equipment units and undertaking projects is as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Performance guarantee | $ 76,510 | $ 61,510 |

(2) Refer to Note 6 (20), operating revenue, for the amount of unfulfilled performance obligations for the system integration construction contract undertaken by the Group.

(3) The Group undertakes contracts such as equipment unit and system integration constructions, and financial institutions provide the Group with contract guarantees and other guarantees. The amount of guarantee is as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Guaranteed amount provided by the bank | $ 28,696 | $ 63,426 |

(4) The amount to be paid in the future for the capital expenditure contracts and outsourcing construction contracts signed by the Group is as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Outsourcing construction | $ 90,899 | $ 190,950 |
| Property, plant and equipment | 10,270 | 8,683 |
| | $ 101,169 | $ 199,633 |

(5) As of December 31, 2024 and 2023, the Group's unused letters of credit for the import of raw materials were USD 197 thousand and USD 91 thousand, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The appropriation of earnings for the year ended December 31, 2024 as resolved by the Board of Directors on March 11, 2025 is provided in Note 6(18).

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to continuously provide returns for shareholders and to maintain an optimal capital structure.

In order to maintain the capital needed for expanding and upgrading plants and equipment, the Group's management shall ensure that there are necessary financial resources and operating plans to support operations, capital expenditures, debt repayment and dividend payment in the next 12 months.

The Group controls its capital using the debt to assets ratio, which is calculated as total liabilities divided by assets. The Group's strategy in 2024 is to continuously adjust the ratio of liabilities to assets and strive to balance the overall capital structure.

The total debt-to-asset ratios at December 31, 2024 and 2023 were as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Total liabilities | $ 1,567,223 | $ 1,906,021 |
| Total assets | $ 3,479,621 | $ 3,647,282 |
| Liabilities to assets ratio | 45% | 52% |

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | $ 9,759 | $ 9,759 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | $ 793,597 | $ 472,058 |
| Financial assets at amortised cost (note 1) | 600 | 1,727 |
| Notes receivable (including related parties) | 340,103 | 353,024 |
| Accounts receivable (including related parties) | 898,636 | 1,238,490 |
| Other receivables (note 1) | 3,880 | 2,518 |
| Guarantee deposits paid (including current) (note 1) | 13,473 | 21,247 |
| Long-term accounts receivable | 258 | 765 |
| | $ 2,050,547 | $ 2,089,829 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | $ 234,744 | $ 182,529 |
| Notes payable | 37,496 | 129,014 |
| Accounts payable | 470,532 | 721,247 |
| Other payables | 385,958 | 356,593 |
| Long-term borrowings (including current portion) | 3,874 | 28,411 |
| Guarantee deposits received (including current portion) (note 2) | 3,909 | 42,991 |
| | $ 1,136,513 | $ 1,460,785 |
| Lease liability (including non-current) | $ 37,077 | $ 36,900 |

note 1: Financial assets at amortised cost, shown as ‘other current assets, others’.

note 2: Shown as ‘other current assets, others’.

B. Financial risk management policies

In order to effectively control and decrease financial risks, the management of the Group focuses on identifying, evaluating and hedging market uncertainties to minimize potential adverse effects from markets on the Group’s financial performance. The risk includes market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk).

Risk management is carried out by related segments under approved policies.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Group and its subsidiaries used in various functional currency, primarily with respect to the USD, RMB and VND. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii As the objective of the investments in certain foreign operations held by the Group is for strategic purposes, the Group does not hedge the investments.

iii The Group's businesses involve some non-functional currency operations (the Group's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2024 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value(NTD) |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:RMB | $ 5,072 | 7.30 | $ 166,311 |
| USD:NTD | 653 | 32.79 | 21,412 |
| Non-monetary items (note) | | | |
| USD:NTD | 21,289 | 32.79 | 689,509 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: VND | 895 | 23,868 | 29,347 |
| USD: NTD | 733 | 32.79 | 24,035 |

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value(NTD) |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:RMB | $ 8,735 | 7.10 | $ 268,208 |
| USD:NTD | 841 | 30.71 | 25,823 |
| Non-monetary items (note) | | | |
| USD:NTD | 22,259 | 30.71 | 671,239 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: VND | 709 | 23,633 | 21,770 |
| USD: NTD | 499 | 30.71 | 15,322 |

note: The items are financial assets at fair value through other comprehensive income and investments accounted for using the equity method.

iv The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2024 and 2023, amounted to $4,780 and ($700), respectively.

v Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | 2024 | | |
|---|---|---|---|
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:RMB | 1% | $ 1,663 | $ - |
| USD:NTD | 1% | 214 | - |
| Non-monetary items | | | |
| USD:NTD | 1% | - | 6,895 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: VND | 1% | 293 | |
| USD: NTD | 1% | 240 | |

| | 2023 | | |
|---|---|---|---|
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:RMB | 1% | $ 2,682 | - |
| USD:NTD | 1% | 258 | $ - |
| Non-monetary items | | | - |
| USD:NTD | 1% | - | 6,712 |
| Financial liabilities | | | |
| Monetary items | | | - |
| USD: VND | 1% | 218 | - |
| USD: NTD | 1% | 153 | - |

Price risk

Equity instruments that the Group is exposed to price risk are financial assets at fair value through other comprehensive income. The price of those equity instruments will be affected by the uncertainty of the future value of the investment.

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings (including current portion) with variable rates, which expose the Group to cash flow interest rate risk. The Group is not exposed to significant cash flow and fair value interest rate risks.

(b) Credit risk

i Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost.

ii In order to maintain quality of accounts receivable, the Group has set a credit risk management process or its operations.

Risk assessment of individual customers takes into account factors that may influence customers' ability to pay, such as their financial position, historical record and current economic condition. When appropriate, the Group applies certain credit enhancement tools, such as collecting sales revenue in advance, to reduce credit risk of specific customers.

The Group's treasury measures and controls credit risk of deposits with banks and other financial instruments. Because the counterparties of the Group and performing parties are banks with good credit and financial institutions or company organisations with investment grade or above and thus there was no significant possibility of default nor significant credit risk.

iii The Group adopts the assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition, to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.

iv In line with credit risk management procedure, when the counterparty fails to perform the agreement between the two parties and fails to negotiate, the default has occurred.

v The Group classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.

vi The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2024 and 2023, the Group's written-off financial assets that are still under recourse procedures amounted to $42,704and $46,250, respectively.

vii The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) Significant financial difficulty of the issuer;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(iv) The disappearance of an active market for that financial asset because of financial difficulties.

viii.The expected credit loss rate established by the Group on the accounts receivable of customers on December 31, 2024 and 2023 is as follows:

| | | Past due | | | | | |
|---|---|---|---|---|---|---|---|
| | Not past due | Up to 30 days | 31 to 90 days | 91 to 18 days | 181 days to 1 year | 1 to 2 year(s) | Over 2 years |
| December 31, 2024 | 0.14%～ 3.25% | 0.19%～ 10.37% | 0.33%～ 43.11% | 1.85%～ 63.50% | 6.70%～ 74.47% | 11.70%～ 79.88% | 100% |
| December 31, 2023 | 0.16%～ 3.31% | 0.37%～ 10.50% | 0.53%～ 41.50% | 2.91%～ 63.01% | 6.91%～ 73.73% | 11.91%～ 78.93% | 100% |

ix Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable, notes receivable and contract assets are as follows:

| | 2024 | | |
|---|---|---|---|
| | Account receivable | Note receivable | Contract assets |
| At January 1 | $ 61,824 | $ 24 | $ - |
| Reversal of impairment loss | 55,644 | - | - |
| Write-offs | ( 3,335) | - | - |
| Effect of | 2,096 | - | - |
| At December 31 | $ 116,229 | $ 24 | $ - |

| | 2023 | | |
|---|---|---|---|
| | Account receivable | Note receivable | Contract assets |
| At January 1 | $ 36,669 | $ 24 | $ - |
| Reversal of impairment loss | 28,231 | - | - |
| Write-offs | ( 2,212) | - | - |
| Effect of | ( 864) | - | - |
| At December 31 | $ 61,824 | $ 24 | $ - |

For 2024 and 2023, the impairment gains (losses) arising from customers' contracts amounts to $55,644 and $28,231, respectively.

(c) Liquidity risk

The Group's objectives for managing liquidity risk are to maintain cash and deposits needed for operations and adequate borrowing credits to ensure the Group is financially flexible.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings and summarizes the maturity of the Group's financial liabilities based on contractual undiscounted repayments

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Less than 3 Months | Between 3 Months and 1 years | Between 1 and 2 years | Between 2 and 5 years | Over 5years |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowing | $ 131,321 | $ 104,657 | $ - | $ - | $ - |
| Notes payable | 37,496 | - | - | - | - |
| Accounts payable | 447,444 | 23,088 | - | - | - |
| Other payables | 145,836 | 240,122 | - | - | - |
| Lease liability | 2,809 | 3,295 | 6,383 | 18,676 | 11,147 |
| Long-term borrowing (including current portion) | 2,624 | 1,308 | - | - | - |
| | $ 767,530 | $ 372,470 | $ 6,383 | $ 18,676 | $ 11,147 |

Derivative financial liabilities:
None.

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Less than 3 Months | Between 3 Months and 1 years | Between 1 and 2 years | Between 2 and 5 years | Over 5years |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowing | $ 156,276 | $ 26,805 | $ - | $ - | $ - |
| Notes payable | 128,750 | 264 | - | - | - |
| Accounts payable | 569,861 | 151,386 | - | - | - |
| Other payables | 206,012 | 150,581 | - | - | - |
| Lease liability | 2,597 | 2,819 | 5,098 | 16,196 | 16,433 |
| Long-term borrowing (including current portion) | 7,121 | 17,908 | 4,337 | - | - |
| | $ 1,070,617 | $ 349,763 | $ 9,435 | $ 16,196 | $ 16,433 |

Derivative financial liabilities:
None.

(3) Fair value information

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

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

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

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

B. The carrying amounts of the Group's cash and cash equivalents, financial assets at amortised cost (shown as 'other current assets, other'), notes receivable (including receivables from related parties), accounts receivable (shown as 'other current assets, other'), other receivables (including receivables from related parties), guarantee deposits paid, long-term notes and accounts receivables, short-term borrowings, notes payable, accounts payable, other payables, current portion of long-term liabilities, long-term borrowings and lease liabilities and guarantee deposits received approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2024 and 2023 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Recurrung fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ - | $ - | $ 9,759 | $ 9,759 |

**Liabilities: None.**

D. For the years ended December 31, 2024 and 2023, there was no transfer into or out from Level 3.

E. For the equity securities whose fair value is classified as Level 3, which are mainly investments in foreign listed companies, the Group adopts the comparable company approach to calculate the fair value of the investment target. The comparable company approach refers to the transaction price of the shares of companies engaged in the same or similar business in the active market and the value multipliers implied by these prices, and considers the liquidity discount to determine the value of the target company.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

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

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

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: Please refer to table 9.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on reporting information used for normal performance management and strategic decisions reviewed and implemented.

The Group is a professional manufacturer of chiller units for central air-conditioning systems. The product sales targets are mainly ODM and OEM customers and refrigeration and air-conditioning engineering companies in Taiwan. In response to the needs of downstream customers to set up plants overseas and to reach the goal of product internationalisation, the Group subsequently established operation bases in Mainland China and Southeast Asia to directly supply local demand.

There are three segments of the Group, which are operation bases in Taiwan, Mainland China and Vietnam regions.

(2) Measurement of segment information

The Group uses the operating profit as the measurement for operating segment profit and the basis of performance assessment.

Sales and transfers between segments are deemed as transactions with third parties and are measured at present market price. There is no material inconsistency between the accounting policies of each operating segment and those summarised in Note 2.

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

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

| | 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Taiwan | Mainland China | Vietnam | Other | Adjustments and elimination (note) | Total |
| Departmental income | | | | | | |
| Revenue from external customer | $ 2,489,258 | $ 1,045,790 | $ 95,955 | $ 18,376 | $ - | $ 3,649,379 |
| Internal segment revenue | 1,205,352 | 319,074 | - | - | ( 1,524,426) | - |
| Total segment revenue | $ 3,694,610 | $ 1,364,864 | $ 95,955 | $ 18,376 | ($ 1,524,426) | $ 3,649,379 |
| Segment profit and loss | $ 361,246 | ($ 21,530) | $ 17,673 | $ 93 | $ 4,518 | $ 362,000 |
| Segment profits and losses include: | | | | | | |
| Depreciation and amortization | $ 30,291 | $ 29,838 | $ 8,002 | $ 480 | | $ 68,611 |
| Segment assets | $ 2,055,324 | $ 1,222,428 | $ 190,632 | $ 11,237 | | $ 3,479,621 |
| Segment liabilities | $ 934,056 | $ 581,052 | $ 48,640 | $ 3,475 | | $ 1,567,223 |

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Taiwan | Mainland China | Vietnam | Other | Adjustments and elimination (note) | Total |
| Departmental income | | | | | | |
| Revenue from external customer | $ 1,965,783 | $ 1,449,804 | $ 50,394 | $ 10,607 | $ - | $ 3,476,588 |
| Internal segment revenue | 950,304 | 730,212 | 272 | - | ( 1,680,788) | - |
| Total segment revenue | $ 2,916,087 | $ 2,180,016 | $ 50,666 | $ 10,607 | ($ 1,680,788) | $ 3,476,588 |
| Segment profit and loss | $ 208,293 | $ 106,812 | ($ 3,260) | $ 653 | $ 2,559 | $ 315,057 |
| Segment profits and losses include: | | | | | | |
| Depreciation and amortization | $ 30,827 | $ 30,959 | $ 7,447 | $ 33 | | $ 69,266 |
| Segment assets | $ 1,842,273 | $ 1,613,445 | $ 176,340 | $ 15,224 | | $ 3,647,282 |
| Segment liabilities | $ 886,514 | $ 963,664 | $ 47,840 | $ 8,003 | | $ 1,906,021 |

note: It is the elimination of inter-segment revenue.

(4) Reconciliation for segment income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.

A reconciliation of reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2024 and 2023 is provided as follows:

| | 2024 | 2023 |
|---|---|---|
| Reportable segments profit and loss | $ 362,000 | $ 315,057 |
| Non-operating income and expenses | 45,839 | 44,168 |
| Profit before tax and continued operations | $ 407,839 | $ 359,225 |

(5) Information on products and services

Please refer to Note 6(20).

(6) Geographical information

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

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| Taiwan | $ 2,510,020 | $ 456,891 | $ 1,978,620 | $ 404,946 |
| Mainland China | 981,054 | 178,103 | 1,165,688 | 196,104 |
| Others | 158,305 | 104,535 | 332,280 | 107,001 |
| | $ 3,649,379 | $ 739,529 | $ 3,476,588 | $ 708,051 |

(7) Major customer information

The Group has no revenue from transactions with a single external customer accounting for 10% of the Group's revenue

# KUEN LING MACHINERY REFRIGERATING CO., LTD.
# PARENT COMPANY ONLY FINANCIAL STATEMENTS with Independent Auditors' Report

## For the Years Ended December 31, 2024 and 2023

**Stock Code：4527**

Address: No. 300, Chikan N. Rd., Ziguan Dist., Kaohsiung City 826, Taiwan (R.O.C.)

Telephone：886-7-6192345

***Notice to readers***

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.

DECEMBER 31, 2024 AND 2023 PARENT COMPANY ONLY FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR24004504

To the Board of Directors and Shareholders of Kuen Ling Machinery Refrigerating Co., Ltd.

## *Opinion*

We have audited the accompanying parent company only balance sheets of Kuen Ling Machinery Refrigerating Co., Ltd. (the "Company") as at December 31, 2024 and 2023, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2024 and 2023, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only financial statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2024 parent company only financial statements. 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, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2024 parent company only financial statements are stated as follows:

## Appropriateness of cut-off on sales revenue

Description

Please refer to Note 4(23) of parent company only financial statement for accounting policies on revenue recognition, and Note 6(18) for details of operating revenue.

The Company's operating revenue arises from revenue from contracts with customers and mainly from customer acceptance and transfer of the products, such as condensers, chillers, chiller units and condensing units. Contract revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The transfer of control of the product to the customer and the fulfillment of performance obligations usually involve manual work and judgment, which may result in inappropriate timing of revenue recognition around the balance sheet date, and the aforementioned circumstances were also existing in the Company's subsidiaries which were accounted for using equity method. Therefore, we consider the appropriateness of cut-off on sales revenue as one of the key audit matters for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding and assessed the accounting policies of revenue recognition.
2. Obtained an understanding, assessed and tested the effectiveness of the design and the execution of internal controls on revenue recognition.
3. Performed cut-off tests on contract revenue in a certain period around balance sheet date to ascertain that the revenue was recognised when control of goods has been transferred, and there is no performance obligation that could affect the customer acceptance of the products.

## Accounts receivable impairment valuation

Description

Please refer to Note 4(6) of parent company only financial statements for accounting policy on accounts receivable, Note 5 for the uncertainty of accounting estimates and assumptions in relation to accounts receivable impairment valuation, Note 6(2) for details of accounts receivable and Note 12(2) for details of information relating to credit risk of accounts receivable.

The Company evaluates the lifetime expected credit loss amount of the accounts receivable and recognises loss allowance. The evaluation method used considers the historical transaction records, operation and current financial conditions of individual significant customers or customers of similar credit risk groups, and incorporates the effect of the time value of money. The identification of individual significant customers, the differentiation of similar credit risk groups and the aforementioned evaluation methods involve the subjective judgment of the management authority, which has a significant impact on the measurement of the expected credit loss of receivables, and the aforementioned circumstances were also existing in the Company's subsidiaries (shown as investments accounted for using equity method). Therefore, we consider the Company's and its subsidiaries' accounts receivable impairment valuation as one of the key audit matters for this year in our audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Company's operation and sales customers. Assessed the reasonableness of policies and process applied in allowance for uncollectible accounts receivable, including identifying individual significant customers, classifying the similar credit risk groups and objective evidence for determining expected credit losses.
2. Obtained an understanding of the effectiveness of the design and implementation of the internal control procedures over the Company's credit management and the assessment of lifetime expected credit losses of receivables.
3. Assessed the reasonableness of the amounts of significant expected credit losses individually assessed by management and the expected credit losses assessed based on similar credit risk groups.
4. Performed subsequent collection tests on accounts receivable for expected credit losses that occur simply to reflect the time value of money to assess the reasonableness of expected credit losses.

## Other matter – Reference to the audits of other auditors

We did not audit the financial statements of certain investments accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for using the equity method amounted to NT$12,433 thousand and NT$10,690 thousand, both constituting 1% of the total assets as at December 31, 2024 and 2023, and the comprehensive income recognised from associates and joint ventures accounted for using the equity method amounted to NT$2,473 thousand and NT$801thousand, constituting 1% and 1% of the total comprehensive income for the years then ended, respectively.

## *Responsibilities of management and those charged with governance for the parent company only financial statements*

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## *Auditors' responsibilities for the audit of the parent company only financial statements*

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

| | |
|---|---|
| Wang, Chun-Kai | Wu, Chien-Chih |

For and on behalf of PricewaterhouseCoopers, Taiwan

March 11, 2025

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

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

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2024 AMOUNT | % | December 31, 2023 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 115,438 | 5 | $ 143,820 | 6 |
| 1140 | Current contract assets | 6(18) | 63,836 | 3 | 85,855 | 4 |
| 1150 | Notes receivable, net | 6(2) | 29,634 | 1 | 7,939 | - |
| 1160 | Notes receivable due from related parties, net | 6(2) and 7 | 12,331 | - | 27,036 | 1 |
| 1170 | Accounts receivable, net | 6(2) | 174,359 | 7 | 101,364 | 4 |
| 1180 | Accounts receivable due from related parties, net | 6(2) and 7 | 278,822 | 11 | 272,041 | 12 |
| 1210 | Other receivables due from related parties | 7 | 7,961 | - | 9,253 | 1 |
| 130X | Inventories | 6(3) | 290,718 | 12 | 361,574 | 15 |
| 1410 | Prepayments | | 103,240 | 4 | 40,006 | 2 |
| 1479 | Other current assets, others | 8 | 853 | - | 1,438 | - |
| 11XX | **Total current assets** | | 1,077,192 | 43 | 1,050,326 | 45 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(4) | 9,759 | - | 9,759 | - |
| 1550 | Investments accounted for using equity method | 6(5) | 989,583 | 39 | 900,310 | 38 |
| 1600 | Property, plant and equipment | 6(6), 7 and 8 | 371,931 | 15 | 323,544 | 14 |
| 1755 | Right-of-use assets | 6(7) and 7 | 9,205 | - | 9,258 | - |
| 1780 | Intangible assets | | 859 | - | 2,627 | - |
| 1840 | Deferred income tax assets | 6(23) | 25,154 | 1 | 28,789 | 1 |
| 1920 | Guarantee deposits paid | 8 | 10,512 | 1 | 14,820 | 1 |
| 1930 | Long-term notes and accounts receivable | 6(8) | 258 | - | 765 | - |
| 1990 | Other non-current assets, others | 8 | 21,542 | 1 | 19,309 | 1 |
| 15XX | **Total non-current assets** | | 1,438,803 | 57 | 1,309,181 | 55 |
| 1XXX | **Total assets** | | $ 2,515,995 | 100 | $ 2,359,507 | 100 |

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2024 AMOUNT | % | December 31, 2023 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(9) and 8 | $ 137,607 | 6 | $ 109,841 | 5 |
| 2130 | Current contract liabilities | 6(18) | 34,887 | 1 | 31,842 | 1 |
| 2150 | Notes payable | 7 | 8,765 | - | 12,440 | - |
| 2170 | Accounts payable | 7 | 178,517 | 7 | 247,309 | 10 |
| 2200 | Other payables | 6(10) and 7 | 169,702 | 7 | 123,775 | 5 |
| 2230 | Current tax liabilities | | 23,783 | 1 | 13,902 | 1 |
| 2250 | Current provisions | 6(11) | 36,203 | 2 | 36,203 | 2 |
| 2280 | Current lease liabilities | 7 | 2,960 | - | 2,379 | - |
| 2320 | Long-term liabilities, current portion | 6(12) and 8 | - | - | 15,000 | 1 |
| 2399 | Other current liabilities, others | | 759 | - | 646 | - |
| 21XX | **Total current liabilities** | | 593,183 | 24 | 593,337 | 25 |
| | **Non-current liabilities** | | | | | |
| 2570 | Deferred income tax liabilities | 6(23) | 69,108 | 3 | 71,101 | 3 |
| 2580 | Non-current lease liabilities | 7 | 5,340 | - | 5,377 | - |
| 2640 | Net defined benefit liability, non-current | 6(13) | 52,410 | 2 | 64,077 | 3 |
| 25XX | **Total non-current liabilities** | | 126,858 | 5 | 140,555 | 6 |
| 2XXX | **Total Liabilities** | | 720,041 | 29 | 733,892 | 31 |
| | **Equity** | | | | | |
| | Share capital | | | | | |
| 3110 | Ordinary share | 6(14) | 761,524 | 30 | 761,524 | 32 |
| | Capital surplus | | | | | |
| 3200 | Capital surplus | 6(15) | 128,616 | 5 | 128,616 | 6 |
| | Retained earnings | 6(16) | | | | |
| 3310 | Legal reserve | | 293,365 | 11 | 267,856 | 11 |
| 3320 | Special reserve | | 94,936 | 4 | 81,442 | 4 |
| 3350 | Unappropriated retained earnings | | 584,187 | 23 | 481,113 | 20 |
| | Other equity interest | | | | | |
| 3400 | Other equity interest | 6(17) | ( 66,674) | ( 2) | ( 94,936) | ( 4) |
| 3XXX | **Total equity** | | 1,795,954 | 71 | 1,625,615 | 69 |
| | Significant contingent liabilities and unrecognised contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 2,515,995 | 100 | $ 2,359,507 | 100 |

The accompanying notes are an integral part of these parent company only financial statements.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | | 2023 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(18) and 7 | $ 2,009,564 | 100 | $ 1,603,442 | 100 |
| 5000 | Operating costs | 6(3)(21)(22) and 7 | (1,699,995) | (84) | (1,361,849) | (85) |
| 5900 | Gross profit | | 309,569 | 16 | 241,593 | 15 |
| 5910 | Unrealised profit from sales | | (2,134) | - | 284 | - |
| 5950 | Gross profit from operations | | 307,435 | 16 | 241,877 | 15 |
| | Operating expenses | 6(21)(22) and 7 | | | | |
| 6100 | Selling expenses | | (46,900) | (2) | (51,101) | (3) |
| 6200 | Administrative expenses | | (122,458) | (6) | (103,925) | (7) |
| 6300 | Research and development expenses | | (38,804) | (2) | (37,262) | (2) |
| 6450 | Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 | 12(2) | 6,465 | - | (8,742) | (1) |
| 6000 | Total operating expenses | | (201,697) | (10) | (201,030) | (13) |
| 6900 | Net operating loss | | 105,738 | 6 | 40,847 | 2 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | | 789 | - | 603 | - |
| 7010 | Other income | 6(19) and 7 | 41,200 | 2 | 34,837 | 2 |
| 7020 | Other gains and losses | 6(20) and 7 | 1,664 | - | 2,079 | - |
| 7050 | Finance costs | 6(7)(9)(12) and 7 | (3,668) | - | (2,989) | - |
| 7070 | Share of profit of sbusidiaries, associates and joint ventures accounted for using equity method | | 205,448 | 10 | 216,979 | 14 |
| 7000 | Total non-operating income and expenses | | 245,433 | 12 | 251,509 | 16 |
| 7900 | **Profit before income tax** | | 351,171 | 18 | 292,356 | 18 |
| 7950 | Income tax expense | 6(23) | (31,622) | (2) | (33,952) | (2) |
| 8200 | **Profit for the year** | | $ 319,549 | 16 | $ 258,404 | 16 |
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Gains on remeasurements of defined benefit plans | 6(13) | $ 6,617 | - | ($ 4,127) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(23) | (1,323) | - | 825 | - |
| 8310 | Components of other comprehensive income that will not be reclassified to profit or loss | | 5,294 | - | (3,302) | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | | 28,262 | 2 | (13,494) | (1) |
| 8300 | **Other comprehensive income (loss)** | | $ 33,556 | 2 | ($ 16,796) | (1) |
| 8500 | **Total comprehensive income** | | $ 353,105 | 18 | $ 241,608 | 15 |
| | Earnings per share | 6(24) | | | | |
| 9750 | Basic earnings per share | | $ 4.20 | | $ 3.39 | |
| 9850 | Diluted earnings per share | | $ 4.14 | | $ 3.35 | |

The accompanying notes are an integral part of these parent company only financial statements.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | Notes | Share capital - common stock | Capital surplus, additional paid-in capital | Retained Earnings: Legal reserve | Retained Earnings: Special reserve | Retained Earnings: Unappropriated retained earnings | Other equity interest: Financial statements translation differences of foreign operations | Other equity interest: Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Year ended December 31, 2023 | | | | | | | | | |
| Balance at January 1, 2023 | | $ 761,524 | $ 128,616 | $ 245,884 | $ 102,117 | $ 379,612 | ($ 48,124 ) | ($ 33,318 ) | $ 1,536,311 |
| Profit for the year | | - | - | - | - | 258,404 | - | - | 258,404 |
| Other comprehensive income (loss) | 6(17) | - | - | - | - | ( 3,302 ) | ( 13,494 ) | - | ( 16,796 ) |
| Total comprehensive income (loss) | | - | - | - | - | 255,102 | ( 13,494 ) | - | 241,608 |
| Appropriation and distribution of 2022 retained earnings: | | | | | | | | | |
| Legal reserve appropriated | | - | - | 21,972 | - | ( 21,972 ) | - | - | - |
| Reversal of special reserve | | - | - | - | ( 20,675 ) | 20,675 | - | - | - |
| Cash dividends | 6(16) | - | - | - | - | ( 152,304 ) | - | - | ( 152,304 ) |
| Balance at December 31, 2023 | | $ 761,524 | $ 128,616 | $ 267,856 | $ 81,442 | $ 481,113 | ($ 61,618 ) | ($ 33,318 ) | $ 1,625,615 |
| Year ended December 31, 2024 | | | | | | | | | |
| Balance at January 1, 2024 | | $ 761,524 | $ 128,616 | $ 267,856 | $ 81,442 | $ 481,113 | ($ 61,618 ) | ($ 33,318 ) | $ 1,625,615 |
| Profit for the year | | - | - | - | - | 319,549 | - | - | 319,549 |
| Other comprehensive income | 6(17) | - | - | - | - | 5,294 | 28,262 | - | 33,556 |
| Total comprehensive income | | - | - | - | - | 324,843 | 28,262 | - | 353,105 |
| Appropriation and distribution of 2023 retained earnings: | | | | | | | | | |
| Legal reserve appropriated | | - | - | 25,509 | - | ( 25,509 ) | - | - | - |
| Reversal of special reserve | | - | - | - | 13,494 | ( 13,494 ) | - | - | - |
| Cash dividends | 6(16) | - | - | - | - | ( 182,766 ) | - | - | ( 182,766 ) |
| Balance at December 31, 2024 | | $ 761,524 | $ 128,616 | $ 293,365 | $ 94,936 | $ 584,187 | ($ 33,356 ) | ($ 33,318 ) | $ 1,795,954 |

The accompanying notes are an integral part of these parent company only financial statements.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2024 | Year ended December 31 2023 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 351,171 | $ 292,356 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit gain | 12(2) | ( 6,465 ) | 8,742 |
| Depreciation expense (including amortisation of right-of-use assets) | 6(6)(7)(21) | 26,654 | 28,070 |
| Amortisation charge | 6(21) | 1,831 | 2,050 |
| Share of loss of subsidiaries, associates and joint ventures accounted for using equity method | | ( 205,448 ) | ( 216,979 ) |
| Interest expense | | 3,668 | 2,989 |
| Interest income | | ( 789 ) | ( 603 ) |
| Dividend income | 6(19) | ( 2,511 ) | ( 2,386 ) |
| Gains on disposals of property, plant and equipment | 6(20) | ( 603 ) | ( 378 ) |
| Unrealised profit (loss) from sales | | 2,134 | ( 284 ) |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Current contract assets | | 22,019 | ( 78,266 ) |
| Notes receivable | | ( 21,695 ) | 1,455 |
| Notes receivable due from related parties | | 14,705 | 28,192 |
| Accounts receivable (including long-term notes and accounts receivables) | | ( 66,023 ) | 54,928 |
| Accounts receivable due from related parties | | ( 6,781 ) | ( 97,893 ) |
| Other receivables due from related parties | | 1,302 | ( 2,432 ) |
| Inventories | | 70,856 | 94,676 |
| Prepayments | | ( 63,234 ) | ( 10,008 ) |
| Other current assets, others | | 585 | 1,081 |
| Changes in operating liabilities | | | |
| Current contract liabilities | | 3,045 | ( 9,267 ) |
| Notes payable | | ( 3,675 ) | ( 2,384 ) |
| Accounts payable | | ( 68,792 ) | 69,948 |
| Other payables | | 44,360 | 5,605 |
| Current provisions | | - | ( 16 ) |
| Other current liabilities, others | | 113 | 3 |
| Net defined benefit liability, non-current | | ( 5,050 ) | ( 9,779 ) |
| Cash inflow (outflow) generated from operations | | 91,377 | 159,420 |
| Interest received | | 779 | 603 |
| Dividends received | | 144,814 | 130,362 |
| Interest paid | | ( 3,567 ) | ( 3,059 ) |
| Income taxes paid | | ( 21,422 ) | 1,932 |
| Net cash flows from operating activities | | 211,981 | 289,258 |

(Continued)

KUEN LING MACHINERY REFRIGERATING CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars)

| | Notes | Year ended December 31 2024 | 2023 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of investments accounted for using equity method | | | |
| Purchase of property, plant and equipment | 6(25) | ( $ 68,681 ) | ( $ 21,642 ) |
| Increase in prepayments for business facilities | | ( 3,373 ) | ( 13,539 ) |
| Proceeds from disposal of property, plant and equipment | 6(25) | 603 | 7,773 |
| Intangible assets | | ( 63 ) | ( 199 ) |
| Decrease (increase) in guarantee deposits paid | | 4,308 | 2,992 |
| Increase in other non-current assets | | - | ( 600 ) |
| Net cash flows used in investing activities | | ( 67,206 ) | ( 25,215 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from short-term borrowings | 6(26) | 501,131 | 369,637 |
| Repayment of short-term borrowings | 6(26) | ( 473,365 ) | ( 411,892 ) |
| Repayment of long-term borrowings | 6(26) | ( 15,000 ) | ( 20,000 ) |
| Payments of lease liabilities | 6(26) | ( 3,157 ) | ( 3,141 ) |
| Cash dividends paid | 6(16) | ( 182,766 ) | ( 152,304 ) |
| Net cash flows used in financing activities | | ( 173,157 ) | ( 217,700 ) |
| Net decrease in cash and cash equivalents | | ( 28,382 ) | 46,343 |
| Cash and cash equivalents at beginning of year | 6(1) | 143,820 | 97,477 |
| Cash and cash equivalents at end of year | 6(1) | $ 115,438 | $ 143,820 |

The accompanying notes are an integral part of these parent company only financial statements.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organisation

KUEN LING REFRIGERATING CO., LTD. (the "Company") was incorporated in April 1988 under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in the installation, maintenance, repair, manufacturing, processing, trading, domestic and foreign sales business and lease business of condensers, chillers, chiller units and condensing units.

The Company' shares have been traded in the Taipei Exchange starting from September 2000.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 11, 2025.

3. Application of New Standards, Amendments and Interpretations

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

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial condition and financial performance, from January 1, 2024：

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendment to IFRS 16 "Sale and leaseback transaction"

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on financial condition and financial performance:

- Amendments to IAS 21 "Lack of Exchangeability"

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

| New, Amended and Revised Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendments to IFRS 9 and IFRS 7 - "Amendments to the Classification and Measurement of Financial Instruments" | January 1, 2026 |
| Amendments to IFRS 9 and IFRS 7 – "Contracts Referencing Nature-dependent Electricity" | January 1, 2026 |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | Pending decision by the IASB |
| IFRS 17 "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 "Insurance Contracts" | January 1, 2023 |
| IFRS 17 and IFRS 9-Comparative Information (Amendment to IFRS 17) | January 1, 2023 |
| IFRS 18 "Presentation and Disclosure in Financial Statements" | January 1, 2027 |
| IFRS 19 "Subsidiaries without Public Accountability: Disclosures" | January 1, 2027 |
| IFRS Accounting Standards "Annual Improvements-Volume 11" | January 1, 2026 |

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial condition and financial performance:

(1) Amendments to IFRS 9 and IFRS 7 – "Amendments to the Classification and Measurement of Financial Instruments"

Updating the irrevocable option to designate equity instruments as measured at fair value through other comprehensive income (FVOCI), the fair value for each category should be disclosed, but no need to disclose fair value information for each specific investment.

Additionally, the fair value gains or losses recognized in other comprehensive income during the reporting period should be disclosed, distinguishing between the fair value gains or losses related to investments derecognized during the reporting period and those related to investments still held at the end of the reporting period. It is also necessary to disclose the cumulative gains or losses transferred to equity due to investments derecognized during the reporting period.

(2) IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will replace IAS 1 and will update the structure of the statement of comprehensive income, adding disclosure requirements for management performance measures and enhancing the principles for aggregation and disaggregation applied to the primary financial statements and notes.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

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

(2) Basis of preparation

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

(a) Financial assets at fair value through other comprehensive income measured at fair value.

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

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company's presentation currency.

A. Foreign currency transactions and balances

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

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

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

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

(a) Assets and liabilities presented in each balance sheet are translated at spot exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(6) Accounts and notes receivable

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

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

(7) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable or contract assets that have a significant financing component and lease receivables, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(8) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(10) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

E. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

F. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

G. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

H. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

I. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(11) Property, plant and equipment

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

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

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

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

The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and structures | 3~55 years |
| Machinery and equipment | 2~15 years |
| Transportation equipment | 5~6 years |
| Office equipment | 4~10 years |
| Leasehold improvements | 5~10 years |
| Other equipment | 3~11 years |

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

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

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

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

(b) Variable lease payments that depend on an index or a rate.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
   (a) The amount of the initial measurement of lease liability;
   (b) Any lease payments made at or before the commencement date;
   (c) Any initial direct costs incurred by the lessee; and
   (d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

(13) <u>Intangible assets</u>

Intangible assets mainly pertain to computer software which is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(14) <u>Impairment of non-financial assets</u>

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

(15) <u>Borrowings</u>

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

(16) <u>Accounts and notes payable</u>

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

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

(17) Derecognition of financial liabilities

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

(18) Offsetting financial instruments

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

(19) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(20) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

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

(21) Income tax

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

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

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

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

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

(22) Dividends

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

(23) Revenue recognition

A. Sales of goods

(a) The Company manufactures and sells condensers, chillers, chiller units and condensing units and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

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

(d) Some contracts include multiple deliverables. In most cases, the installation is simple, does not include an integration service and could be performed by another party or supplier. It is therefore accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

B. Service revenue

Revenue from providing services is recognized in the accounting period in which the services are rendered.

C. Engineering service revenue

(a) Some contracts include sales, installation and integration services of equipment. The equipment, the installation and the integration services provided by the Company are not distinct and are identified to be one performance obligation satisfied over time since the installation and integration services involve significant customisation and modification. The Company recognizes revenue on the basis of costs incurred relative to the total expected costs.

(b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

(c) The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

D. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

E. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred although the Company expects to recover those costs.

(24) Government grants

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

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

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

Impairment assessment of accounts receivable

When there is a significant increase in credit risk on the financial instrument since initial recognition, loss allowance of the financial instrument is measured by lifetime expected credit losses. After taking into consideration all reasonable and verifiable information, the Company recognize lifetime expected credit losses for all financial instruments for which there have significant increases in credit risk since initial recognition after considering all reasonable and supportable information. The measurement of expected credit losses considers the risk or probability that a credit loss occurs.

As of December 31, 2024, the Company recognized loss allowance amounting to $8,053.

6. Details of Significant Accounts

(1) Cash and cash equivalents

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Cash on hand and revolving fund | $ 326 | $ 595 |
| Checking account and demand deposits | 115,112 | 143,225 |
| | $ 115,438 | $ 143,820 |

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

B. The Company has no cash and cash equivalents pledged to others.

(2) Notes and accounts receivable, net

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Note receivable | $ 29,658 | $ 7,963 |
| Less: Allowance for uncollectable accounts | ( 24) | ( 24) |
| | 29,634 | 7,939 |
| Note receivable from related parties (Note7) | 12,331 | 27,036 |
| | $ 41,965 | $ 34,975 |
| Accounts receivable | $ 182,388 | $ 115,858 |
| Less: Allowance for uncollectable accounts | ( 8,029) | ( 14,494) |
| | 174,359 | 101,364 |
| Accounts receivable from related parties (Note7) | 278,822 | 272,041 |
| | $ 453,181 | $ 373,405 |

A. The ageing analysis of notes and accounts receivable (including related parties) that were past due but not impaired is as follows:

| | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Notes receivable | Accounts receivable | Notes receivable | Accounts receivable |
| Not past due | $ 41,989 | $ 449,201 | $ 34,999 | $ 360,144 |
| Past due： | | | | |
| Up to 30 days | - | 465 | - | 4,076 |
| 31 to 90 days | - | 3,281 | - | 196 |
| 91 to 180 days | - | 97 | - | - |
| 181 days to 1 years | - | - | - | 19,058 |
| 1 to 2 years | - | 1,718 | - | - |
| Over 2 years | - | 6,448 | - | 4,425 |
| | $ 41,989 | $ 461,210 | $ 34,999 | $ 387,899 |

The above ageing analysis was based on past due date.

B. As of December 31, 2024 and 2023, notes receivable and accounts receivable were all from contracts with customers. And as of January 1, 2023, the balance of receivables from contracts with customers amounted to $409,089.

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

D. As at December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes and accounts receivable was $495,146 and $408,380, respectively.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

F. Please refer to Note 6(8) for the information of long-term receivables.

(3) Inventories

| | December 31, 2024 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Note book value |
| Materials and supplies | $ 179,803 | ($ 20,933) | $ 158,870 |
| Work in progress | 58,806 | - | 58,806 |
| Finished goods | 77,061 | ( 6,412) | 70,649 |
| Merchandise | 2,982 | ( 2,611) | 371 |
| | 2,022 | - | 2,022 |
| | $ 320,674 | ($ 29,956) | $ 290,718 |

| | December 31, 2023 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Note book value |
| Materials and supplies | $ 192,498 | ($ 18,760) | $ 173,738 |
| Work in progress | 112,790 | - | 112,790 |
| Finished goods | 75,757 | ( 6,239) | 69,518 |

| | | | |
|---|---|---|---|
| Merchandise | 3,951 | ( 3,004) | 947 |
| Materials and supplies in transit | 4,581 | - | 4,581 |
| | $ 389,577 | ($ 28,003) | $ 361,574 |

The cost of inventories recognized as expense for the year:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Cost of goods sold | $ 1,335,593 | $ 1,040,878 |
| Loss on decline in market value | 4,996 | 5,054 |
| Others | 359,406 | 315,917 |
| | $ 1,699,995 | $ 1,361,849 |

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

| Items | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Non-current items： | | |
| Equity instruments | | |
| Unlisted stocks | | |
| Feng-Hou Corporation | $ 5,720 | $ 5,720 |
| KA LING INDUSTRIAL CORP. | 4,039 | 4,039 |
| | 9,759 | 9,759 |
| Valuation adjustment | - | - |
| | $ 9,759 | $ 9,759 |

A. The Company has elected to classify unlisted stocks investments that are considered to be strategic investments or steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments all amounted to $9,759 as of December 31, 2024 and 2023.

B. The Company has no financial assets at fair value through other comprehensive income pledged to others as collateral.

(5) Investments accounted for using equity method

| Investee | December 31, 2024 Amount | December 31, 2024 Shareholding ratio | December 31, 2023 Amount | December 31, 2023 Shareholding ratio |
|---|---|---|---|---|
| Subsidiaries: | | | | |
| CHING CHI INTERNATIONAL LIMITED | $ 539,993 | 83% | $ 542,076 | 83% |
| COZY AIR-CONDITIONING CO., LTD. | 291,680 | 100% | 222,420 | 100% |
| KLEAN AIR ENTERPRISE LTD. | 145,477 | 100% | 125,124 | 100% |
| I CHI INDUSTRIAL CO., LTD. | 12,433 | 70% | 10,690 | 70% |
| Associates: | | | | |
| STAR ROYAL CO., LTD. | - | 23.5% | - | 23.5% |
| | $ 989,583 | | $ 900,310 | |

Please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2024 for the information regarding the Company's subsidiaries.

(6) Property, plant and equipment

| | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Unfinished construction and equipment under acceptance | Total |
|---|---|---|---|---|---|---|---|---|---|
| January 1, 2024 | | | | | | | | | |
| Cost | $ 106,209 | $ 291,496 | $ 166,642 | $ 30,696 | $ 12,987 | $ 6,623 | $ 12,548 | $ 10,018 | $ 637,219 |
| Accumulated depreciation and impairment | - | ( 138,713) | ( 133,395) | ( 26,157) | ( 4,159) | ( 3,130) | ( 8,121) | - | ( 313,675) |
| | $ 106,209 | $ 152,783 | $ 33,247 | $ 4,539 | $ 8,828 | $ 3,493 | $ 4,427 | $ 10,018 | $ 323,544 |
| 2024 | | | | | | | | | |
| January 1 | $ 106,209 | $ 152,783 | $ 33,247 | $ 4,539 | $ 8,828 | $ 3,493 | $ 4,427 | $ 10,018 | $ 323,544 |
| Add | - | 1,515 | 8,801 | 1,488 | 1,143 | 243 | 2,480 | 54,477 | 70,147 |
| Prepayments for equipment transferred | - | - | 1,140 | - | - | - | - | - | 1,140 |
| Depreciation expense | - | ( 9,247) | ( 8,317) | ( 1,676) | ( 1,556) | ( 656) | ( 1,448) | - | ( 22,900) |
| Disposal - Cost | - | ( 4,552) | ( 1,071) | ( 3,939) | ( 67) | - | - | - | ( 9,629) |
| Disposal - Accumulated Depreciation | - | 4,552 | 1,071 | 3,939 | 67 | - | - | - | 9,629 |
| December 31 | $ 106,209 | $ 145,051 | $ 34,871 | $ 4,351 | $ 8,415 | $ 3,080 | $ 5,459 | $ 64,495 | $ 371,931 |
| December 31, 2024 | | | | | | | | | |
| Cost | $ 106,209 | $ 288,459 | $ 175,512 | $ 28,245 | $ 14,063 | $ 6,866 | $ 15,028 | $ 64,495 | $ 698,877 |
| Accumulated depreciation and impairment | - | ( 143,408) | ( 140,641) | ( 23,894) | ( 5,648) | ( 3,786) | ( 9,569) | - | ( 326,946) |
| | $ 106,209 | $ 145,051 | $ 34,871 | $ 4,351 | $ 8,415 | $ 3,080 | $ 5,459 | $ 64,495 | $ 371,931 |

| | Land | Buildings and structures | Machinery and equipment | Transportation equipment | Office equipment | Leasehold improvements | Other equipment | Unfinished construction and equipment under acceptance | Total |
|---|---|---|---|---|---|---|---|---|---|
| January 1, 2023 | | | | | | | | | |
| Cost | $ 106,209 | $ 291,496 | $ 158,320 | $ 33,627 | $ 13,342 | $ 6,623 | $ 11,390 | $ 665 | $ 621,672 |
| Accumulated depreciation and impairment | - | ( 129,104) | ( 125,670) | ( 28,940) | ( 2,971) | ( 2,504) | ( 7,310) | - | ( 296,499) |
| | $ 106,209 | $ 162,392 | $ 32,650 | $ 4,687 | $ 10,371 | $ 4,119 | $ 4,080 | $ 665 | $ 325,173 |
| 2024 | | | | | | | | | |
| January 1 | $ 106,209 | $ 162,392 | $ 32,650 | $ 4,687 | $ 10,371 | $ 4,119 | $ 4,080 | $ 665 | $ 325,173 |
| Add | - | - | 10,000 | 1,949 | - | - | 1,550 | 9,353 | 22,852 |
| Prepayments for equipment transferred | - | - | 2,236 | - | - | - | - | - | 2,236 |
| Depreciation expense | - | ( 9,609) | ( 9,269) | ( 2,097) | ( 1,543) | ( 626) | ( 1,203) | - | ( 24,347) |
| Disposal - Cost | - | - | ( 3,914) | ( 4,880) | ( 355) | - | ( 392) | - | ( 9,541) |
| Disposal - Accumulated Depreciation | - | - | 1,544 | 4,880 | 355 | - | 392 | - | 7,171 |
| December 31 | $ 106,209 | $ 152,783 | $ 33,247 | $ 4,539 | $ 8,828 | $ 3,493 | $ 4,427 | $ 10,018 | $ 323,544 |
| December 31, 2023 | | | | | | | | | |
| Cost | $ 106,209 | $ 291,496 | $ 166,642 | $ 30,696 | $ 12,987 | $ 6,623 | $ 12,548 | $ 10,018 | $ 637,219 |
| Accumulated depreciation and impairment | - | ( 138,713) | ( 133,395) | ( 26,157) | ( 4,159) | ( 3,130) | ( 8,121) | - | ( 313,675) |
| | $ 106,209 | $ 152,783 | $ 33,247 | $ 4,539 | $ 8,828 | $ 3,493 | $ 4,427 | $ 10,018 | $ 323,544 |

A. For the years ended December 31, 2024 and 2023, no interest expense was capitalised as part of property, plant and equipment.
B. The significant components of buildings include main plants, elevators and decoration equipment, which are depreciated over 55, 15 and 3 years, respectively.
C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Leasing arrangements－lessee

A. The Company leases various assets including land and buildings. Rental contracts are typically made for periods of 5 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be subleased, lent or used in any way that may affect the ownership of the lessor.

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

| | December 31, 2024<br>Carrying amount | | December 31, 2023<br>Carrying amount | |
|---|---|---|---|---|
| Land | $ | 3,149 | $ | 4,724 |
| Buildings | | 6,056 | | 4,534 |
| | $ | 9,205 | $ | 9,258 |

| | 2024<br>Depreciation charge | | 2023<br>Depreciation charge | |
|---|---|---|---|---|
| Land | $ | 1,575 | $ | 1,574 |
| Buildings | | 2,179 | | 2,149 |
| | $ | 3,754 | $ | 3,723 |

C. For the years ended December 31, 2024 and 2023, the additions to right-of-use assets were $3,701 and $0, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| Items affecting profit or loss | | | | |
| Interest expense on lease liabilities | $ | 151 | $ | 115 |
| Expense on leases of low value assets | | 409 | | 287 |

E. For the years ended December 31, 2024 and 2023, the Company's total cash outflow for leases were $3,717 and $3,543, respectively.

F. Extension and termination options

(a) Extension options are included the Company's lease contracts pertaining to land.

(b) In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(8) Long-term receivables

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Total long term account receivable | $ 261 | $ 785 |
| Less: unrealized interest revenue | ( 3) | ( 20) |
| | $ 258 | $ 765 |

As of December 31, 2024 and 2023, the circumstances of each year's expected recovery of the portion of the long-term accounts receivable collection period over one year due to installment payments sales are as follows:

| Term | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Within 1 year | $ 258 | $ 507 |
| Later than 1 year but not later than 2 years | - | 258 |
| | $ 258 | $ 765 |

A. As of December 31, 2024 and 2023, the Company does not hold any collateral as security for long-term accounts receivable.
B. As of December 31, 2024 and 2023, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's long-term accounts receivable was $258 and $765, respectively.
C. Information relating to credit risk of long-term receivables is provided in Note 12(2).

(9) Short-term borrowings

| Type of borrowing | December 31, 2024 | Range of Interest Rate | Collateral |
|---|---|---|---|
| **Bank Loans** | | | |
| **Unsecured Loans**: None | $ 115,000 | 1.83%～3.50% | None |
| Letter of Credit for Material Purchases | 22,607 | 5.48%～6.33% | None |
| | $ 137,607 | | |

| Type of borrowing | December 31, 2023 | Range of Interest Rate | Collateral |
|---|---|---|---|
| **Bank Loans** | | | |
| **Unsecured Loans**: None | $ 100,000 | 1.60%~3.45% | None |
| Letter of Credit for Material Purchases | 9,841 | 6.50%～6.78% | None |
| | $ 109,841 | | |

A. Interest expense recognized in profit or loss amounted to $3,434 and $2,414 for the years ended December 31, 2024 and 2023, respectively.
B. Please refer to Note 8 for the details of collateral for the credit line for short-term borrowings.
C. Part of the Group's credit loans are processed in accordance with the Ministry of Economic Affairs' "Guidelines for Assisting SMEs in Low-Carbon and Smart Transformation Development and Infrastructure Optimization Projects for Regulated and Specific Factories." The interest subsidy rate is based on Chunghwa Post's 2 year time deposit floating rate. The maximum interest subsidy period for the loan is 1 year.

(10) Other payables

| | December 31, 2024 | December 31, 2023 |
| --- | --- | --- |
| Salaries and wages and year-end bonuses payable | $ 62,680 | $ 43,220 |
| Employees' compensation payable | 34,190 | 26,666 |
| Commodity tax payable | 22,918 | 12,604 |
| Directors' remuneration payable | 11,706 | 9,745 |
| Business tax payable | 10,919 | 1,575 |
| Payable on equipment | 6,294 | 4,828 |
| Payable on construction | 5,220 | 7,919 |
| Payable on technical service expense | 1,051 | 4,325 |
| Others | 14,724 | 12,893 |
| | $ 169,702 | $ 123,775 |

(11) Current provisions

| Warranty | 2024 | 2023 |
| --- | --- | --- |
| January 1 | $ 36,203 | $ 36,219 |
| Additional provisions for the current period | 14,091 | 13,630 |
| Used in the period | ( 14,091) | ( 13,580) |
| Unused reversal in the current period | - | ( 66) |
| December 31 | $ 36,203 | $ 36,203 |

The Company gives warranties on products sold and services rendered in accordance with the contract agreement. Provision for warranty is estimated based on historical warranty experience. It is expected that provision for warranty will occur within the next year.

(12) Long-term borrowings/long-term liabilities, current portion

| Type of borrowing | Borrowing period and repayment term | Interest rate range | Collateral | December 31, 2023 |
| --- | --- | --- | --- | --- |
| Long-term bank borrowings | | | | |
| Secured borrowings | Borrowing period is from July 2019 to July 2024; principal is repayable in installments in accordance with the mutual agreement. | 2.08% | Land, buildings and structures | $ 15,000 |
| Less: current portion | | | | ( 15,000) |
| | | | | - |

There was no such incident as of December 31, 2024.

A. Interest expense recognized in profit or loss amounted to $83 and $460 for the years ended December 31, 2024 and 2023, respectively.

B. Please refer to Note 8 for the details of collateral for long-term borrowing.

(13) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2.3% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Present value of defined benefit obligation | $ 100,833 | $ 103,303 |
| Fair value of plan assets | ( 48,423) | ( 39,226) |
| | $ 52,410 | $ 64,077 |

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

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2024 | | | |
| Balance on January 1 | $ 103,303 | ($ 39,226) | $ 64,077 |
| Service costs for the current period | 514 | - | 514 |
| Interest expense (income) | 1,239 | ( 471) | 768 |
| | 105,056 | ( 39,697) | 65,359 |
| Remeasurement amount: | | | |
| Actuarial benefits | - | ( 3,014) | ( 3,014) |
| Changes in financial assumptions | ( 3,533) | - | ( 3,533) |
| Experience Adjustment | ( 70) | - | ( 70) |
| | ( 3,603) | ( 3,014) | ( 6,617) |
| Contribute to retirement fund | - | ( 6,332) | ( 6,332) |
| Payment of pensions | ( 620) | 620 | - |
| Balance on December 31 | $ 100,833 | ($ 48,423) | $ 52,410 |

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2023 | | | |
| Balance on January 1 | $ 97,008 | ($ 27,279) | $ 69,729 |
| Service costs for the current period | 723 | - | 723 |
| Interest expense (income) | 1,358 | ( 382) | 976 |
| | 99,089 | ( 27,661) | 71,428 |
| Remeasurement amount: | | | |
| Actuarial benefits | - | ( 87) | ( 87) |
| Changes in financial assumptions | 1,943 | - | 1,943 |
| Experience Adjustment | 2,271 | - | 2,271 |
| | 4,214 | ( 87) | 4,127 |
| Contribute to retirement fund | - | ( 11,478) | ( 11,478) |
| Balance on December 31 | $ 103,303 | ($ 39,226) | $ 64,077 |

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

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

| | 2024 | 2023 |
|---|---|---|
| Discount rate | 1.60% | 1.20% |
| Future salary increase rate | 2.50% | 2.50% |

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

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

| | Discount rate | | Future salary increase rate | |
|---|---|---|---|---|
| | Increase by 0.25% | Reduce by 0.25% | Increase by 0.25% | Reduce by 0.25% |
| Impact on the present value of the determined benefit obligation | | | | |
| December 31, 2024 | ($ 2,121) | $ 2,188 | $ 1,912 | ($ 1,867) |
| December 31, 2023 | ($ 2,421) | $ 2,503 | $ 2,207 | ($ 2,150) |

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2025 amount to $9,699.

(g) As of December 31, 2024, the weighted average duration of the retirement plan is 9 years.

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b)The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2024 and 2023, were $5,750 and $5,295, respectively.

(14) Share capital

A. As of December 31, 2024, the Company's authorised capital was $1,000,000, consisting of 100,000 thousand shares of ordinary stock (including 20,000 thousand shares of convertible bonds), and the paid-in capital was $761,524 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. For the years ended December 31, 2024 and 2023, the number of the Company's ordinary shares outstanding at the beginning and end of the year was both 76,152 shares.

(15) Capital surplus

A. Movements on the capital surplus for the years ended December 31, 2024 and 2023 are as follows:

| | Share premium | Treasury stock trading | Total |
|---|---|---|---|
| Balance on January 1 (i.e. December 31) | $ 128,615 | $ 1 | $ 128,616 |

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

(16) Retained earnings

A. The Company operates in a volatile industry environment and is in the stable growth stage. Considering the Company's future capital needs, long-term financial plans and to maximize shareholders' interests, and in accordance with the Company's dividend policy, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve is equal to the amount of total capital.

In accordance with laws, if the balance of the special reserve is insufficient compared to the total of the cumulative amount of net increase in fair value of investment property in a preceding period and the cumulative net amount of other deductions from equity in a preceding period, the Company shall first set aside an equivalent amount of special reserve from the undistributed earnings of the prior period before the appropriation of earnings. If there remains any insufficiency, it shall be set aside from the after-tax profit of the period plus items other than after-tax net profit of the period, that are included in the undistributed earnings of the period. After the provision or reversal of special reserve in accordance with the laws and regulations, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders if dividends would be distributed by issuing new shares.

The Board of Directors of the Company can distribute all or part of the distributable dividends and bonus, capital surplus and legal reserve in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and report to the shareholders.

The amount of distributable dividends and shareholders' bonuses shall not be less than 50% of the distributable earnings of the current year, and cash dividends shall not be less than 10% of the total distribution of the current year.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-Corporate-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

In accordance with the abovementioned rules, the special reserve appropriated as a result of the Company's choice of reclassifying cumulative translation adjustment to retained earnings as of December 31, 2024 and 2023 were both $4,607.

D. (a) On June 14, 2024 and May 26, 2023, the shareholders resolved that total dividends for the distributions of earnings for the year of 2023 and 2022 were $182,766 and $152,304 at $2.4 and $2.0 (in dollars) per ordinary share, respectively.

(b) On March 11, 2025, the Board of Directors proposed that total dividends for the distribution of earnings for the year of 2024 was $243,688 at $3.2 (in dollars) per ordinary share.

(17) Other equity items

| | 2024 | | |
|---|---|---|---|
| | Currency translation | Unrealized gains (loses) on valuation | Total |
| January 1 | ($ 61,618) | ($ 33,318) | ($ 94,936) |
| Currency translation differences | | | |
| –Group | 28,262 | - | 28,262 |
| December 31 | ($ 33,356) | ($ 33,318) | ($ 66,674) |

| | 2023 | | |
|---|---|---|---|
| | Currency translation | Unrealized gains (loses) on valuation | Total |
| January 1 | ($ 48,124) | ($ 33,318) | ($ 81,442) |
| Currency translation differences | | | |
| –Group | ( 13,494) | - | ( 13,494) |
| December 31 | ($ 61,618) | ($ 33,318) | ($ 94,936) |

(18) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Company derives operating revenue from contracts with customers and mainly from the transfer of goods and services over time and at a point in time in the following major product categories:

| | 2024 | 2023 |
|---|---|---|
| Equipment unit | $ 1,502,232 | $ 1,152,345 |
| System integration construction | 336,791 | 301,369 |
| Repair and maintenance | 170,541 | 149,728 |
| | $ 2,009,564 | $ 1,603,442 |
| Timing of revenue recognition: | | |
| At appoint in time | $ 1,502,232 | $ 1,152,345 |
| Over time | 507,332 | 451,097 |
| | $ 2,009,564 | $ 1,603,442 |

B. assets and liabilities

(a) The Company has recognised the following revenue-related contract assets and liabilities:

| | December 31, 2024 | December 31, 2023 | January 1, 2023 |
|---|---|---|---|
| Contract asset： | | | |
| System integration Construction Contract | $ 63,836 | $ 85,855 | $ 7,589 |
| Contract liabilities： | | | |
| Equipment unit contract | $ 9,655 | $ 22,106 | $ 29,074 |
| System integration Construction Contract | 25,232 | 9,736 | 12,035 |
| | $ 34,887 | $ 31,842 | $ 41,109 |

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

| | 2024 | 2023 |
|---|---|---|
| Equipment unit contract | $ 20,098 | $ 15,045 |
| System integration construction contract | 9,736 | 12,035 |
| | $ 29,834 | $ 27,080 |

(c) As of December 31, 2024, the total transaction price allocated to unfulfilled performance obligations amounted to $205,665. The Company recognised the revenue based on the stage of completion of the system integration construction contract over time. The construction was expected to be completed in 2025.

(19) Other income

| | 2024 | 2023 |
|---|---|---|
| Management service income (note) | $ 29,986 | $ 26,181 |
| Dividend income | 2,511 | 2,386 |
| Other income (note) | 8,703 | 6,270 |
| | $ 41,200 | $ 34,837 |

note: Details are provided in Note 7, Related party transactions.

(20) Other gains and losses

| | 2024 | 2023 |
|---|---|---|
| Foreign exchange benefits | $ 1,452 | $ 1,721 |
| Disposal of interests in property, plant and equipment | 603 | 378 |
| Other | ( 391) | ( 20) |
| | $ 1,664 | $ 2,079 |

(21) Expenses by nature

| | 2024 | 2023 |
|---|---|---|
| Changes in finished goods and work-in-progress inventories | ($ 52,680) | ($ 17,295) |
| Raw materials consumed | 994,843 | 816,653 |
| Employee benefit expenses | 237,364 | 202,000 |
| Depreciation expense | 26,654 | 28,070 |
| Amortization expenses | 1,831 | 2,050 |
| Other expenses | 693,680 | 531,401 |
| Operating costs and operating expenses | $ 1,901,692 | $ 1,562,879 |

(22) Employee benefit expense

| | 2024 | 2023 |
|---|---|---|
| Wages and salaries | $ 189,579 | $ 159,668 |
| Labor and health insurance fees | 15,220 | 14,085 |
| Pension costs | 7,032 | 6,994 |
| Directors' emoluments | 14,639 | 12,538 |
| Other personnel expenses | 10,894 | 8,715 |
| | $ 237,364 | $ 202,000 |

A. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit of the current year shall be distributed as employees' compensation and directors' remuneration. The ratio shall be 3% ~ 7% for employees' compensation and shall not be higher than 3% for directors' remuneration. If the Company has accumulated deficit, earnings should be channeled to cover losses. The employees' compensation may be distributed in the form of shares or cash and the employees include the employees of subsidiaries of the Company meeting certain specific requirements. The aforementioned current year's earnings represent current year's profit before deducting tax and distributing employees' compensation and directors' remuneration.

B. For the years ended December 31, 2024 and 2023, employees' compensation was accrued at $27,313 and $22,739, respectively; while directors' remuneration was accrued at $11,706 and $9,745, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 7% and 3% of distributable profit of current year for the year ended December 31, 2024. The employees' compensation and directors' remuneration resolved by the Board of Directors were $27,313 and $11,706, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration of 2023 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2023 financial statements.

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

(23) Income tax

A. Income tax expense

(a) Components of income tax expense

| | 2024 | 2023 |
|---|---|---|
| Current income tax: | | |
| Income tax on profits | $ 30,430 | $ 16,348 |
| Undistributed surplus earnings | 1,667 | 3,306 |
| Prior year income tax underestimation | ( 794) | ( 236) |
| Total income tax for the current portion | 31,303 | 19,418 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 319 | 14,534 |
| Income tax expense | $ 31,622 | $ 33,952 |

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

| | 2024 | 2023 |
|---|---|---|
| Remeasurement of benefit obligations | $ 1,323 | ($ 825) |

B. Reconciliation between income tax expense and accounting profit

| | 2024 | 2023 |
|---|---|---|
| Net profit before tax calculated according to the statutory tax rate (note) | $ 70,234 | $ 58,471 |
| Impact amount of income tax exempt according to tax law | ( 39,485) | ( 27,589) |
| Undistributed earnings tax | 1,667 | 3,306 |
| Underestimation (overestimation) of income tax in previous years | ( 794) | ( 236) |
| Income tax expense | $ 31,622 | $ 33,952 |

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

| | 2024 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| - Deferred tax assets: | | | | |
| Recognition of pension costs | $ 12,815 | ($ 1,010) | ($ 1,323) | $ 10,482 |
| Product Service Guarantee | 7,241 | - | - | 7,241 |
| Allowance for inventory impairment losses | 5,601 | 390 | - | 5,991 |
| Allowance for doubtful debts | 1,885 | ( 1,140) | - | 745 |
| No vacation bonus | 488 | - | - | 488 |
| other | 759 | ( 552) | - | 207 |
| | 28,789 | ( 2,312) | ( 1,323) | 25,154 |
| - Deferred tax liabilities: | | | | |
| Investment income | ( 71,101) | 1,993 | - | ( 69,108) |
| | ($ 42,312) | ($ 319) | ($ 1,323) | ($ 43,954) |

| | 2023 | | | |
|---|---|---|---|---|
| | January 1 | Recognized in profit or loss | Recognized in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| - Deferred tax assets: | | | | |
| Recognition of pension costs | $ 11,946 | $ 44 | $ 825 | $ 12,815 |
| Product Service Guarantee | 7,244 | ( 3) | - | 7,241 |
| Allowance for inventory impairment losses | 4,648 | 953 | - | 5,601 |
| Allowance for doubtful debts | 388 | 1,497 | - | 1,885 |
| No vacation bonus | 488 | - | - | 488 |
| other | 717 | 42 | - | 759 |
| | 25,431 | 2,533 | 825 | 28,789 |

| | | | | |
|---|---|---|---|---|
| - Deferred tax liabilities: | | | | |
| Investment income | (54,034) | (17,067) | - | (71,101) |
| | ($28,603) | ($14,534) | $825 | ($42,312) |

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority. As of the report date, the Company has no significant administrative remedies for pending tax.

(24) Earnings per share

| | 2024 | | |
|---|---|---|---|
| | Earnings per share | Weighted average number of shares outstanding (in thousands) | Earning per share |
| Basic Earnings Per Share | | | |
| Net income attributable to ordinary shareholders of the parent company | $ 319,549 | 76,152 | $ 4.20 |
| Diluted Earnings Per Share | | | |
| Net income attributable to ordinary shareholders of the parent company | $ 319,549 | 76,152 | |
| Effect of potentially dilutive ordinary shares: | | | |
| Employee compensation | - | 992 | |
| Net income attributable to ordinary shareholders of the parent company The effect of potential ordinary shares | $ 319,549 | 77,144 | $ 4.14 |

| | 2023 | | |
|---|---|---|---|
| | Earnings per share | Weighted average number of shares outstanding (in thousands) | Earning per share |
| Basic Earnings Per Share | | | |
| Net income attributable to ordinary shareholders of the parent company | $ 258,404 | 76,152 | $ 3.39 |
| Diluted Earnings Per Share | | | |
| Net income attributable to ordinary shareholders of the parent company | $ 258,404 | 76,152 | |
| Effect of potentially dilutive ordinary shares: | | | |
| Employee compensation | - | 995 | |
| Net income attributable to ordinary shareholders of the parent company The effect of potential ordinary shares | $ 258,404 | 77,147 | $ 3.35 |

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

| | 2024 | 2023 |
|---|---|---|
| Purchase of property, plant and equipment | $ 70,147 | $ 22,852 |
| Add: Opening balance of payable on Equipment | 4,828 | 3,618 |
| Less: Ending balance of payable on Equipment | ( 6,294) | ( 4,828) |
| Cash paid | $ 68,681 | $ 21,642 |

| | 2024 | 2023 |
|---|---|---|
| Disposal of property, plant and equipment | $ 603 | $ 2,748 |
| Add: Other receivables at the beginning of the period | - | 5,025 |
| Less: Other receivables at the end of the period | - | - |
| Cash received in this period | $ 603 | $ 7,773 |

B. Investing and financing activities with no cash flow effects:

| | 2024 | 2023 |
|---|---|---|
| Prepayment for equipment transferred to property and plant and equipment | $ 1,140 | $ 2,236 |
| Long-term loans mature within one year | $ - | $ 15,000 |

| | 2024 | 2023 |
|---|---|---|
| Decrease in right-of-use assets | $ 3,701 | $ - |
| Less: Increase in lease liabilities | ( 3,701) | - |
| | $ - | $ - |

(26) Changes in liabilities from financing activities

| | January 1,2024 | Changes in cash flow from financing activities | Changes in non-cash | December 31,2024 |
|---|---|---|---|---|
| Short-term borrowing | $ 109,841 | $ 27,766 | $ - | $ 137,607 |
| Long-term borrowings (note 1) | 15,000 | ( 15,000) | - | - |
| Lease liabilities (note 2) | 7,756 | ( 3,157) | 3,701 | 8,300 |
| Liabilities from financing activities-gross | $ 132,597 | $ 9,609 | $ 3,701 | $ 145,907 |

| | January 1,2023 | Changes in cash flow from financing activities | Changes in non-cash | December 31,2023 |
|---|---|---|---|---|
| Short-term borrowing | $ 152,096 | ($ 42,255) | $ - | $ 109,841 |
| Long-term borrowings (note 1) | 35,000 | ( 20,000) | - | 15,000 |
| Lease liabilities (note 2) | 10,897 | ( 3,141) | - | 7,756 |
| Liabilities from financing activities-gross | $ 197,993 | ($ 65,396) | $ - | $ 132,597 |

note 1: Including current portion.

note 2: In addition, refer to Note 6(25) for supplemental cash flow information.

## 7. Related Party Transactions

### (1) Names of related parties and relationship

| Name of related party | Relationship with the Group |
|---|---|
| CHING CHI INTERNATIONAL LIMITED | Subsidiaries of the Company |
| KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. (SHANGHAI KUEN LING) | Subsidiaries of the Company |
| KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD.(SUZHOU KUEN LING) | Subsidiaries of the Company |
| KLEAN AIR ENTERPRISE LTD. | Subsidiaries of the Company |
| KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD. (VIETNAM KUEN LING) | Subsidiaries of the Company |
| PT KUEN LING INDONESIA | Subsidiaries of the Company |
| COZY AIR-CONDITIONING CO., LTD. (COZY AIR-CONDITIONING) | Subsidiaries of the Company |
| I CHI INDUSTRIAL CO., LTD. | Subsidiaries of the Company |
| TECO Electric & Machinery Co., Ltd. (TECO Electric & Machinery) | Individuals with significant influence on the Group |
| AOK TECHNICAL SERVICE CO., LTD. | Individuals with significant influence on the Group |
| TOP-TOWER ENTERPRISES CO., LTD. (TOP-TOWER) | Individuals with significant influence on the Group |
| JIANGXI TECO AIR CONDITIONING EQUIPMENT CO., LTD. (JIANGXI TECO) | Individuals with significant influence on the Group |

(2) Significant related party transactions

A. Operating revenue

| | 2024 | 2023 |
|---|---|---|
| Sales of goods: | | |
| Subsidiaries | | |
| COZY AIR-CONDITIONING | $ 1,182,416 | $ 928,314 |
| VIETNAM KUEN LING | 16,511 | 13,739 |
| Others | 3,402 | 2,856 |
| | 1,202,329 | 944,909 |
| Individuals with significant influence on the Group | | |
| TECO Electric & Machinery | 37,907 | 56,223 |
| Others | 11,546 | 4,312 |
| | 49,453 | 60,535 |
| | $ 1,251,782 | $ 1,005,444 |

Because there is no similar counterparty or transaction, the price of goods sold to related parties is conducted by mutual agreement. The collection term is 30 to 197 days after monthly billings for related parties, which is not materially different from the general transaction terms.

B. Purchases

| | 2024 | 2023 |
|---|---|---|
| Purchases of goods: | | |
| Subsidiaries | | |
| SUZHOU KUEN LING | $ 21,279 | $ 10,997 |
| SHANGHAI KUEN LING | 20,254 | 5,608 |
| | 41,533 | 16,605 |
| Individuals with significant influence on the Group | | |
| TOP-TOWER) | 1,215 | 5 |
| TECO Electric & Machinery | 319 | 579 |
| AOK TECHNICAL SERVICE CO., LTD. | 82 | - |
| JIANGXI TECO | 25 | 1,318 |
| | 1,641 | 1,902 |
| | $ 43,174 | $ 18,507 |

Because there is no similar counterparty or transaction, the purchase prices with related parties are conducted by mutual agreement. The payment term is 30 to 90 days after the receipt of goods, which is not materially different from the general transaction terms.

C. Other income

| | 2024 | 2023 |
|---|---|---|
| Sales of labor | | |
| Subsidiaries | | |
| COZY AIR-CONDITIONING (Management Services) | $ 29,986 | $ 26,181 |

The transaction prices for labor services provided by the Company to related parties are determined in accordance with mutual agreement, and the collection term is 90 days after monthly billings.

| | 2024 | 2023 |
|---|---|---|
| Rental income | | |
| Subsidiaries | | |
| COZY AIR-CONDITIONING (Management Services) | $ 1,020 | $ 1,020 |

The Company provides the building to the related party as an office space and charges monthly as agreed by both parties.

D. Receivables

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Notes receivable: | | |
| Entities with significant influence | | |
| TECO Electric & Machinery | $ 12,331 | $ 27,036 |
| Accounts receivable: | | |
| Subsidiaries | | |
| COZY AIR-CONDITIONING | 262,750 | 253,145 |
| Others | 3,010 | 6,951 |
| | 265,760 | 260,096 |
| Entities with significant influence | | |
| TECO Electric & Machinery | 8,943 | 10,307 |
| Others | 4,119 | 1,638 |
| | 13,062 | 11,945 |
| Total | 278,822 | 272,041 |
| Other receivable | | |
| Subsidiaries | | |
| COZY AIR-CONDITIONING | 7,961 | 9,253 |
| Total | $ 299,114 | $ 308,330 |

Other receivables mainly arise from payments receivable by the Company for providing management services.

E. Payables

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Notes payable: | | |
| Entities with significant influence | | |
| TECO Electric & Machinery | $ 41 | $ 69 |
| Others | - | - |
| | 41 | 69 |
| Accounts payable: | | |
| Subsidiaries | | |
| SUZHOU KUEN LING | 7,083 | - |
| Entities with significant influence | | |
| TECO Electric & Machinery | 48 | 30 |
| Others | 102 | - |
| | 150 | 30 |
| Other payable | | |
| Subsidiaries | | |
| COZY AIR-CONDITIONING | 175 | 175 |
| Total | $ 7,449 | $ 274 |

F. Lease transactions－lessee

(a) The Company leases land and buildings from Cozy Air-Conditioning. Rental contracts are typically made for the period from 2019 to 2027. Rents are paid monthly.

(b) Lease liability

i. Outstanding balance:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Subsidiaries | | |
| COZY AIR-CONDITIONING | $ 3,960 | $ 5,908 |

ii. Interest expense:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Subsidiaries | | |
| COZY AIR-CONDITIONING | $ 56 | $ 78 |

G. Loans to / from related parties

Loans to related parties:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Ending balance: | | |
| Subsidiaries | | |
| VIETNAM KUEN LING(note) | $ - | $ 18,393 |

note: Foreign currency transactions are translated into New Taiwan dollars using the exchange rates as of the report date. As of December 31, 2024 and 2023, the actual amount used were both $0.

H. Property transactions

Disposal of property, plant and equipment :

| | 2023 | |
|---|---|---|
| | Disposal proceeds | Gain (loss) on Disposal |
| Subsidiaries | | |
| COZY AIR-CONDITIONING | $ 2,371 | $ - |

The above-mentioned unrealised gain on disposal of $986 in 2022 has been fully written off.

(3) Key management compensation

| | 2024 | 2023 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 31,474 | $ 27,894 |
| Post-employment benefits | 245 | 218 |
| | $ 31,719 | $ 28,112 |

8. Pledged Assets

The Company’s assets pledged as collateral are as follows:

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2024 | December 31, 2023 | Purpose |
| Pledged time deposits (note 1) | $ 600 | $ 600 | Advance payment bonds issued by banks |
| Land | 79,128 | 79,128 | Line of credit for long-term and short-term borrowing |
| Buildings and structure, net | 103,696 | 107,579 | Line of credit for long-term and short-term borrowing |
| Guarantee deposits paid | 10,512 | 14,820 | Construction performance bond or maintenance bond |
| | $ 193,936 | $ 202,127 | |

note: It was the financial assets at amortised cost, which was listed under ‘other current assets, others’ or ‘other non-current assets, others’.

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) The amount of the performance promissory note issued by the Company for the sale of equipment units and undertaking projects is as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Performance guarantee | $ 29,593 | $ 30,793 |

(2) Refer to Note 6 (18), operating revenue, for the amount of unfulfilled performance obligations for the system integration construction contract undertaken by the Company.

(3) The Company undertakes contracts such as equipment unit and system integration constructions, and financial institutions provide the Company with contract guarantees and other guarantees. The amount of guarantee is as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Guaranteed amount provided by the bank | $ 2,141 | $ 44,093 |

(4) The amount to be paid in the future for the capital expenditure contracts and outsourcing construction contracts signed by the Company is as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Outsourcing construction | $ 90,899 | $ 190,950 |
| Property, plant and equipment | 9,086 | 7,795 |
| | $ 99,985 | $ 198,745 |

(5) As of December 31, 2024 and 2023, the Company's unused letters of credit for the import of raw materials were USD 197 thousand and USD 91 thousand, respectively.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The appropriation of earnings for the year ended December 31, 2024 as resolved by the Board of Directors on March 11, 2025 is provided in Note 6(16).

12. Others

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to continuously provide returns for shareholders and to maintain an optimal capital structure.

In order to maintain the capital needed for expanding and upgrading plants and equipment, the Company's management shall ensure that there are necessary financial resources and operating plans to support operations, capital expenditures, debt repayment and dividend payment in the next 12 months.

The Company controls its capital using the debt to assets ratio, which is calculated as total liabilities divided by assets. The Company's strategy in 2024 is to continuously adjust the ratio of liabilities to assets and strive to balance the overall capital structure.

The total debt-to-asset ratios at December 31, 2024 and 2023 were as follows:

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Liabilities to assets ratio | 45% | 52% |

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | $ 9,759 | $ 9,759 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | $ 115,438 | $ 143,820 |
| Financial assets at amortised cost (note) | 600 | 600 |
| Notes receivable (including related parties) | 41,965 | 34,975 |
| Accounts receivable (including related parties) | 453,181 | 373,405 |
| Other receivables (note) | 7,977 | 9,253 |
| Guarantee deposits paid (including current) (note) | 10,512 | 14,820 |
| Long-term accounts receivable | 258 | 765 |
| | $ 629,931 | $ 577,638 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | $ 137,607 | $ 109,841 |
| Notes payable | 8,765 | 12,440 |
| Accounts payable | 178,517 | 247,309 |
| Other payables | 169,702 | 123,775 |
| Long-term borrowings (including current portion) | - | 15,000 |
| | $ 494,591 | $ 508,365 |
| Lease liability (including non-current) | $ 8,300 | $ 7,756 |

note : Listed under ‘other current assets, other’.

B. Financial risk management policies

In order to effectively control and decrease financial risks, the management of the Company focuses on identifying, evaluating and hedging market uncertainties to minimise potential adverse effects from markets on the Company’s financial performance. The risk includes market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk).

Risk management is carried out by related segments under approved policies.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

ii As the objective of the investments in certain foreign operations held by the Company is for strategic purposes, the Company does not hedge the investments.

iii The Company's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2024 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value(NTD) |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 582 | 32.79 | $ 19,084 |
| Non-monetary items (note) | | | |
| USD:NTD | 21,289 | 32.79 | 689,509 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 733 | 32.11 | 23,537 |

| | December 31, 2023 | | |
|---|---|---|---|
| | Foreign currency amount (In thousands) | Exchange rate | Book value(NTD) |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 837 | 30.71 | $ 25,704 |
| Non-monetary items (note) | | | |
| USD:NTD | 22,259 | 30.71 | 671,239 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 499 | 30.71 | 15,324 |

note: The items are financial assets at fair value through other comprehensive income and investments accounted for using the equity method.

iv The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2024 and 2023, amounted to $1,452and $1,721, respectively.

v Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | 2024 | | |
|---|---|---|---|
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 191 | $ - |
| Non-monetary items | | | |
| USD:NTD | 1% | - | 6,895 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1% | 235 | - |

| | 2023 | | |
|---|---|---|---|
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| **(Foreign currency: functional currency)** | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 257 | $ - |
| Non-monetary items | | | |
| USD:NTD | 1% | - | 6,712 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1% | 153 | - |

Price risk

Equity instruments that the Company is exposed to price risk are financial assets at fair value through other comprehensive income. The price of those equity instruments will be affected by the uncertainty of the future value of the investment.

Cash flow and fair value interest rate risk

The Company's main interest rate risk arises from long-term borrowings (including current portion) with variable rates, which expose the Company's to cash flow interest rate risk. The Group is not exposed to significant cash flow and fair value interest rate risks.

(b) Credit risk

i Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost.

ii In order to maintain quality of accounts receivable, the Company has set a credit risk management process or its operations.

Risk assessment of individual customers takes into account factors that may influence customers' ability to pay, such as their financial position, historical record and current economic condition. When appropriate, the Company applies certain credit enhancement tools, such as collecting sales revenue in advance, to reduce credit risk of specific customers.

The Company's treasury measures and controls credit risk of deposits with banks and other financial instruments. Because the counterparties of the Company and performing parties are banks with good credit and financial institutions or company organisations with investment grade or above and thus there was no significant possibility of default nor significant credit risk.

iii The Company adopts the assumptions under IFRS 9, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition, to assess whether there has been a significant increase in credit risk on that instrument since initial recognition.

iv In line with credit risk management procedure, when the counterparty fails to perform the agreement between the two parties and fails to negotiate, the default has occurred.

v The Company classifies customer's accounts receivable, contract assets and rents receivable in accordance with customer types. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.

vi The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) Significant financial difficulty of the issuer;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(iv) The disappearance of an active market for that financial asset because of financial difficulties;

vii The expected credit loss rate established by the Company on the accounts receivable of customers on December 31, 2024 and 2023 is as follows:

| | Not past due | Past due: Up to 30 days | Past due: 31 to 90 days | Past due: 91 to 18 days | Past due: 181 days to 1 year | Past due: 1 to 2 year(s) | Past due: Over 2 years |
|---|---|---|---|---|---|---|---|
| December 31, 2024 | 0.14%～ 0.64% | 0.19%～ 1.14% | 0.33%～ 5.43% | 1.85%～ 10.85% | 6.70%～ 31.70% | 11.70%～ 51.70% | 100% |
| December 31, 2023 | 0.16%～ 0.66% | 0.37%～ 1.32% | 0.53%～ 5.95% | 2.91%～ 11.91% | 6.91%～ 31.91% | 11.91%～ 51.91% | 100% |

viii Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable, notes receivable and contract assets are as follows:

| 2024 | Account receivable | Note receivable | Contract assets |
|---|---|---|---|
| At January 1 | $ 14,494 | $ 24 | $ - |
| Reversal of impairment loss | ( 6,465) | - | - |
| At December 31 | $ 8,029 | $ 24 | $ - |

| 2023 | Account receivable | Note receivable | Contract assets |
|---|---|---|---|
| At January 1 | $ 5,752 | $ 24 | $ - |
| Recognized | 8,742 | - | - |
| At December 31 | $ 14,494 | $ 24 | $ - |

For provisioned loss in 2024 and 2023, the impairment losses arising from customers' contract are $6,465 and ($8,742), respectively.

(c) Liquidity risk

The Company's objectives for managing liquidity risk are to maintain cash and deposits needed for operations and adequate borrowing credits to ensure the Company is financially flexible.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings and summarises the maturity of the Company's financial liabilities based on contractual undiscounted repayments:

| | December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Less than 3 Months | Between 3 Months and 1 years | Between 1 and 2 years | Between 2 and 5 years | Over 5years |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowing | $ 72,358 | $ 66,153 | $ - | $ - | $ - |
| Notes payable (Includes related parties) | 8,765 | - | - | - | - |
| Accounts payable (Includes related parties) | 176,462 | 2,055 | - | - | - |
| Other payables | 87,328 | 82,374 | - | - | - |
| Lease liability | 741 | 2,228 | 2,972 | 2,143 | 473 |
| | $ 345,654 | $ 152,810 | $ 2,972 | $ 2,143 | $ 473 |

Derivative financial liabilities:
None.

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Less than 3 Months | Between 3 Months and 1 years | Between 1 and 2 years | Between 2 and 5 years | Over 5years |
| Non-derivative financial liabilities: | | | | | |
| Short-term borrowing | $ 102,747 | $ 7,647 | $ - | $ - | $ - |
| Notes payable (Includes related parties) | 12,176 | 264 | - | - | - |
| Accounts payable (Includes related parties) | 247,309 | - | - | - | - |
| Other payables | 106,113 | 17,662 | - | - | - |
| Lease liability | 640 | 1,889 | 2,189 | 2,577 | 671 |
| Long-term borrowing (including current portion) | 5,039 | 10,028 | - | - | - |
| | $ 474,024 | $ 37,490 | $ 2,189 | $ 2,577 | $ 671 |

Derivative financial liabilities:
None.

(3) Fair value information

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

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

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

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

B. The carrying amounts of the Company’s cash and cash equivalents, financial assets at amortised cost, note receivables (including receivables from related parties), accounts receivable (including receivables from related parties), other receivables (including receivables from related parties), guarantee deposits paid, long-term notes and accounts receivables, short-term borrowings, notes payable, accounts payable, other payables, current portion of long-term liabilities, long-term borrowings and lease liabilities approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2024 and 2023 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Recurrung fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ - | $ - | $ 9,759 | $ 9,759 |

**Liabilities: None.**

D. For the years ended December 31, 2024 and 2023, there was no transfer into or out from Level 3.

E. For the equity securities whose fair value is classified as Level 3, which are mainly investments in foreign listed companies, the Company adopts the comparable company approach to calculate the fair value of the investment target. The comparable company approach refers to the transaction price of the shares of companies engaged in the same or similar business in the active market and the value multipliers implied by these prices, and considers the liquidity discount to determine the value of the target company.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

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

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

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

(4) Major shareholders information

Names, number of shares and ownership of shareholders whose equity interest is greater than 5%: Please refer to table 9.

14. Segment Information

Not applicable.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 1

| Item | Description | Amount |
| --- | --- | --- |
| Cash on hand | | $ 326 |
| Bank deposits | NTD Demand deposits | 110,129 |
| | USD Demand deposits $137 thousand; Exchange rate 32.74 | 4,442 |
| | RMB Demand deposits RMB 122 thousand; Exchange rate 4.45 | 541 |
| | | 115,112 |
| | | $ 115,438 |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CONTRACT ASSET, CURRENT
DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 2

| Client Name | Description | Amount | Note |
|---|---|---|---|
| Client Code K1002182 | Construction and engineering revenue | $ 39,666 | |
| Client Code K1001018 | Construction and engineering revenue | 24,170 | |
| | | $ 63,836 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF ACCOUNT RECEIVABLE, NET
DECEMBER 31, 2023
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Statement 3

| Client Name | Description | Amount | Note |
|---|---|---|---|
| Client Code K1002182 | Operating revenue | $ 30,169 | |
| Client Code K1001018 | Operating revenue | 27,704 | |
| Client Code K1002182 | Operating revenue | 20,900 | |
| Client Code K9200031 | Operating revenue | 13,692 | |
| Client Code K1000269 | Operating revenue | 13,521 | |
| Others | Operating revenue | 76,402 | The balance of each account does not exceed 5% of the amount of this account. |
| | | 182,388 | |
| Less: loss allowance | | ( 8,029) | |
| | | $ 174,359 | |

Please refer to Note 7 for the detailed statement of Accounts receivable - net amount from related parties.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF INVENTORIES
DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 4

| Item | Cost | Market Price | Note |
|---|---|---|---|
| Raw materials | $ 179,803 | $ 165,842 | |
| Work in Progress | 58,806 | 59,668 | |
| Finished Products | 77,061 | 71,965 | Measured by the lower of cost and net realizable value |
| Merchandise | 2,982 | 888 | |
| Stock in transit | 2,022 | 4,581 | |
| | 320,674 | $ 302,944 | |
| Less: Allowance for inventory impairment and obsolete inventory | ( 29,956) | | |
| | $ 290,718 | | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF PREPAYMENT
DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 5

| Client Name | Description | Amount | Note |
|---|---|---|---|
| Prepayment | | $ 96,645 | |
| Other | | 6,595 | The balance of each account does not exceed 5% of the amount of this account. |
| Total | | $ 103,240 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 6

| | Beginning balance | | Addition | | Decrease (note 2) | | Ending balance | | | Market price or net equity value | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of investee | Shares in Thousands | Amount | Shares in Thousands | Amount | Shares in Thousands | Amount | Shares in Thousands | Shareholding ratio | Amount | Unit price | Total Price | Collateral |
| CHING CHI INTERNATIONAL LIMITED | 6,200 | $ 542,076 | - | $ 7,491 | - | $ 9,574 | 6,200 | 83% | $ 539,993 | $ 87.50 | $ 542,525 | None |
| COZY AIR-CONDITIONING | 3,000 | 222,420 | - | 201,260 | - | 132,000 | 3,000 | 100% | 291,680 | 97.54 | 292,639 | None |
| KLEAN AIR ENTERPRISE LTD. | 4,401 | 125,124 | - | 20,353 | - | - | 4,401 | 100% | 145,477 | 33.89 | 149,161 | None |
| I CHI INDUSTRIAL CO., LTD. | note 1 | 10,690 | - | 2,473 | - | 730 | note 1 | 70% | 12,433 | note 1 | 12,433 | None |
| STAT ROYAL CO., LTD | 2,350 | - | - | - | - | - | 2,350 | 23.5% | - | - | - | None |
| | | $ 900,310 | | $ 231,577 | | $ 142,304 | | | $ 989,583 | | $ 996,758 | |

note 1: Not applicable as it is a limited company.

note 2: Cash dividends received from investee companies.

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CHANGES IN COSTS OF RIGHT-OF-USE ASSETS
YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 7

| Item | Beginning balance | Additions during the period | Reductions during the period | Ending balance |
|---|---|---|---|---|
| Land | $ 12,597 | $ - | $ - | $ 12,597 |
| Houses and buildings | 17,212 | 3,701 | - | 20,913 |
| | $ 29,809 | $ 3,701 | $ - | $ 33,510 |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF RIGHT-OF-USE ASSETS
YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 8

| Item | Beginning balance | Additions during the period | Reductions during the period | Ending balance |
|---|---|---|---|---|
| Land | $ 7,873 | $ 1,575 | $ - | $ 9,448 |
| Houses and buildings | 12,678 | 2,179 | - | 14,857 |
| | $ 20,551 | $ 3,754 | $ - | $ 24,305 |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF SHORT-TERM BORROWINGS
DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 9

| Loan Type | Ending balance | Contract Term | Interest rate range | Financing amount | Mortgage or guarantee | Note |
|---|---|---|---|---|---|---|
| Bank credit loan | $ 115,000 | 2024/10/08~2025/07/08 | 1.83%～2.10% | $ 200,000 | None | - |
| Letter of Credit for Material Purchases | 22,607 | 2024/03/19~2024/06/18 | 5.48%～6.33% | 80,000 | None | - |
| | $ 137,607 | | | | | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF ACCOUNTS PAYABLE
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 10

| Client Name | Description | Amount | Note |
|---|---|---|---|
| Client Code K9150015 | Purchase | $ 14,812 | |
| Client Code K9150001 | Purchase | 13,115 | |
| Client Code K9600150 | Purchase | 9,016 | |
| Client Code K9100002 | Purchase | 9,001 | |
| Others | Purchase | 132,573 | The balance of each account does not exceed 5% of the amount of this account. |
| | | $ 178,517 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 11

| Item Quantity Amount Remarks | Quantity | Amount | | Note |
|---|---|---|---|---|
| Chiller | 2,061 | $ | 1,314,570 | |
| Engineering income | | | 336,791 | |
| Repair income | | | 170,541 | |
| Condenser | 107 | | 19,991 | |
| Other | | | 167,671 | |
| | | $ | 2,009,564 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 12

| Item | Subtotal | Total | Note |
|---|---|---|---|
| Beginning merchandise | $ 3,951 | | |
| Add: Net amount of goods purchased in the current year | 68,073 | | |
| Less: Transferred to construction costs, etc | ( 36,095) | | |
| Ending merchandise | ( 2,982) | | |
| Cost of purchasing and selling | | $ 32,946 | |
| Beginning raw materials | 192,498 | | |
| Add: Net raw materials purchased | 1,035,354 | | |
| Less: Transferred to maintenance costs, etc | ( 53,206) | | |
| Ending raw materials | ( 179,803) | | |
| Used during the year | | 994,843 | |
| Direct labor | | 60,016 | |
| Manufacturing expense | | 83,305 | |
| Manufacturing cost | | 1,138,164 | |
| Beginning work in progress | | 112,790 | |
| Less: Transfer to research and development expenses | | ( 142) | |
| Ending work in progress | | ( 58,806) | |
| Cost of finished goods | | 1,192,006 | |
| Beginning finished goods | | 75,757 | |
| Less: Transferred to construction costs, etc | | ( 21,487) | |
| Ending finished goods | | ( 77,061) | |
| Cost of goods manufactured and sold | | 1,169,215 | |
| Commodity tax | | 129,991 | |
| Cost of goods manufactured and sold | | 1,299,206 | |
| Cost of materials sold | | 3,441 | |
| Maintenance costs | | 72,680 | |
| Cost of engineering sales | | 268,530 | |
| Loss on slow-moving inventories and valuation loss | | 4,996 | |
| Cost of after-sale service | | 18,196 | |
| Operating costs | | $ 1,699,995 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 13

| Item | Description | Amount | Note |
|---|---|---|---|
| Processing fees | | $ 21,319 | |
| Indirect labor | | 20,603 | |
| Insurance fees | | 7,026 | |
| Depreciation expense | | 6,797 | |
| Miscellaneous purchases | | 6,441 | |
| Miscellaneous materials | | 4,561 | |
| Water and electricity charges | | 4,387 | |
| Other manufacturing costs | | 12,171 | The balance of each account does not exceed 5% of the amount of this account. |
| | | $ 83,305 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 14

| Item | Description | Amount | Note |
|---|---|---|---|
| Salary expenses | | $ 27,157 | |
| Insurance fees | | 3,634 | |
| Depreciation expense | | 2,788 | |
| Freight | | 2,648 | |
| Other | | 10,673 | The balance of each account does not exceed 5% of the amount of this account. |
| | | $ 46,900 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 15

| Item | Description | Amount | Note |
| --- | --- | --- | --- |
| Salary expenses | | $ 60,483 | |
| Labor fee | | 15,950 | |
| Directors' remuneration | | 14,639 | |
| Depreciation expense | | 6,737 | |
| Other | | 24,649 | The balance of each account does not exceed 5% of the amount of this account. |
| | | $ 122,458 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 16

| Item | Description | Amount | Note |
|---|---|---|---|
| Salary expenses | | $ 28,118 | |
| Research and development expenses | | 3,162 | |
| Insurance fees | | 2,619 | |
| Other | | 4,905 | The balance of each account does not exceed 5% of the amount of this account. |
| | | $ 38,804 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
STATEMENT OF FINANCE COST
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 17

| Item | Description | Amount | Note |
|---|---|---|---|
| Bank loans | | $ 3,517 | |
| Lease liabilities | | 151 | |
| | | $ 3,668 | |

KUEN LING MACHINERY REFRIGERATING CO., LTD.
SUMMARY STATEMENT OF CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTISATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2024
(Expressed in thousands of New Taiwan dollars)

Statement 18

| Function / Nature | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Classified as Operating Costs | Classified as Operating Expenses | Total | Classified as Operating Costs | Classified as Operating Expenses | Total |
| Employee benefit expense | $ 92,973 | $ 144,391 | $ 237,364 | $ 75,013 | $ 126,987 | $ 202,000 |
| Wages and salaries | 77,891 | 111,688 | 189,579 | 62,463 | 97,205 | 159,668 |
| Labor and health insurance fees | 6,742 | 8,478 | 15,220 | 5,927 | 8,158 | 14,085 |
| Pension costs | 2,962 | 4,070 | 7,032 | 2,623 | 4,371 | 6,994 |
| Directors' remuneration | - | 14,639 | 14,639 | - | 12,538 | 12,538 |
| Other employee benefit expense | 5,378 | 5,516 | 10,894 | 4,000 | 4,715 | 8,715 |
| Depreciation Expense | 6,797 | 19,857 | 26,654 | 7,261 | 20,809 | 28,070 |
| Amortisation Expense | 573 | 1,258 | 1,831 | 574 | 1,476 | 2,050 |

A. As at December 31, 2024 and 2023, the Company had 202 and 190 employees, respectively, including 8 non-employee directors, respectively.
B. Average employee benefit expense in current and previous year was $1,148 and $1,041, respectively.
C. Average employee wages and salaries in current and previous year was $977 and $877, respectively.
D. Adjustment of average employee wages and salaries was 11.40%.
E. The Company's salary and compensation policy:
The directors' remuneration is determined in accordance with the Article 20-1 of Incorporation of the Company whereby no higher than 3% of the distributable profit of the current year shall be distributed as the directors' remuneration, and the Company's operating results and directors' contribution to the Company's s performance are also considered to give reasonable remuneration to directors. Managers are remunerated based on the services provided, risk assumption and the extent of contribution by reference to the general pay level in the same industry. Employees are compensated based on their education and work background, professional expertise, professional seniority and personal performance. The Company also provides flexible compensation movement according to the operational situation to timely motivate morale and retain outstanding employees.
Annual salary adjustments are based on the employees' position and performance assessment to determine the items and amounts for salary adjustments.

## Table 1. Loans to others:

| Number | Lender | Counter- party | Account name | Related party | Highest balance for the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reason for financing | Loss allowance | Collateral | | Individual funding loan limits | Maximum limit of fund financing |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | value | | |
| 0 | KUEN LING MACHINERY REFRIGERATING CO., LTD. | KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO.,LTD. | Other receivable –related parties | Yes | $19,674 | - | - | -- | Note 1(2) | - | Working capital | - | - | - | $179,595 | $718,382 |

Note 1: Fund loan code:

(1) Those with business dealings.

(2) Those need short-term financing.

Note 2: According to the Company’s operating procedures for loans funds to others, the regulations are as follows:

(1) The total amount of capital loans and business transactions of companies or banks and companies or banks that need short-term financing shall not exceed 40% of the net worth of the Company's most recent financial statements.

(2) If there is a need for short-term financing between companies or with banks, the individual loan amount shall not exceed 10% of the Company's latest financial statement net worth.

Table 2. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

| Name of security holder | Name of security and type | Relationship with company | Account title | December 31, 2024 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Units (shares) | Carrying Value | Percentage of ownership | Fair value | |
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | Capital contribution-FengHou Enterprise Co., Ltd. | - | Financial assets at FVOCI | Note | 5,720 | 18% | 5,720 | - |
| | Stock-KA LING INDUSTRIAL CORP. | - | Financial assets at FVOCI | 157,500 | 4,039 | 15% | 4,039 | |
| | Stock-FULL OCEAN TRADING LIMITED | - | Financial assets at FVOCI | 1,000,000 | - | 9% | - | - |

Note: It is a limited company, therefore it is not applicable.

Table 3. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more:

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/ Trade receivables (payables) | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchase/Sale | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/trade receivables (payables) | |
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | COZY AIR-CONDITIONING CO., LTD. | Subsidiary | Sale | $1,182,416 | 59% | According to the agreement of both parties | Note | Note | $262,750 | 52% | |
| KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | Fellow subsidiary | Sale | 257,282 | 71% | According to the agreement of both parties | Note | Note | 90,042 | 82% | |

Note: It is conducted in accordance with the provisions of both parties, therefore there is no significant difference from ordinary transactions.

Table 4. Receivables from related parties reaching $100 million or 20% of paid-in capital or more:

| Name of company the has the receivables | Counterparty | Relationship | Balance of amount | Turnover ratio | Overdue | | Amount collected in the subsequent period | Allowance for doubtful accounts | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Status | | | |
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | COZY AIR-CONDITIONING CO., LTD. | Subsidiary | $262,750 | 4.58% | $- | - | $185,095 | $- | None |

Table 5. Significant inter-company transactions during the reporting periods

This is a summary of the transactions between the parent company and its subsidiaries and between each subsidiary company with an amount of more than $10 million.

| No. (Note 1) | **Name of company** | **Related party** | Relationship (Note 2) | Transaction details | | | |
|---|---|---|---|---|---|---|---|
| | | | | Subject | Amount | Transaction terms | Ratio of total consolidated revenue or total assets (Note 3) |
| 0 | KUEN LING MACHINERY REFRIGERATING CO., LTD. | COZY AIR-CONDITIONING CO., LTD. | 1 | Sale | $1,182,416 | According to the agreement of both parties | 32% |
| 0 | KUEN LING MACHINERY REFRIGERATING CO., LTD. | COZY AIR-CONDITIONING CO., LTD. | 1 | Accounts receivable - related party | 262,750 | According to the agreement of both parties | 8% |
| 0 | KUEN LING MACHINERY REFRIGERATING CO., LTD. | COZY AIR-CONDITIONING CO., LTD. | 1 | Management services revenue | 29,986 | According to the agreement of both parties | 1% |
| 0 | KUEN LING MACHINERY REFRIGERATING CO., LTD. | KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | 1 | Purchase | 20,254 | According to the agreement of both parties | 1% |
| 0 | KUEN LING MACHINERY REFRIGERATING CO., LTD. | KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | 1 | Purchase | 21,279 | According to the agreement of both parties | 1% |
| 0 | KUEN LING MACHINERY REFRIGERATING CO., LTD. | KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO.,LTD. | 1 | Sale | 16,511 | According to the agreement of both parties | 1% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | 3 | Purchase | 257,282 | According to the agreement of both parties | 7% |
| 1 | KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | 3 | Accounts Payable-related party | 55,175 | According to the agreement of both parties | 2% |
| 1 | KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | 3 | Accounts note-related party | 34,867 | According to the agreement of both parties | 1% |
| 1 | KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | 3 | Obtain right-of-use assets | 23,325 | According to the agreement of both parties | 1% |
| 1 | KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | 3 | Lease liability | 15,825 | According to the agreement of both parties | 1% |

Note 1: Information on business transactions between the parent company and its subsidiaries should be indicated in the number column respectively. The method of filling in the number is as follows:

(1). 0 for the parent company.

(2). Subsidiaries are numbered sequentially starting from 1 according to company number.

Note 2: There are the following 3 types of relationships with related parties, indicated by type (if it is the same transaction between parent and subsidiary companies or between subsidiaries, there is no need to disclose it repeatedly. For example: a transaction between a parent company and a subsidiary company, if the parent company has disclosed, the subsidiary does not need to be disclosed again; subsidiary to subsidiary transactions, if one has disclosed it, the other does not need to disclose it again):

(1). Parent company to subsidiary company.

(2). Subsidiary to parent company.

(3). Subsidiary to subsidiary.

Note 3: The calculation of the ratio of transaction amount to consolidated total revenue or total assets, if it is an asset and liability item, is calculated based on the closing balance to consolidated total assets; if it is a profit or loss item, it is calculated based on the accumulated amount during the period as a share of the total consolidated revenue.

Table 6. Names, locations and other information of investee companies (not including investees in Mainland China)

| Name of investor | Name of investee | Location | Business Scope | Original cost of investment | | Held at the end of term | | | Net income (loss) of the Investee | Investment income (less) Recognized | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31,2024 | December 31,2023 | Shares owned | Percentage owned | Carrying value | | | |
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | CHING CHI INTERNATIONAL LIMITED | British Virgin Islands | Invest in other region | $201,467 | $201,467 | 6,200,000 | 83 | $539,993 | ($13,301) | ($12,683) | Subsidiary, Note 4 |
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | COZY AIR-CONDITIONING CO., LTD. | Taiwan | Merchandise sales and trading business | 30,000 | 30,000 | 3,000,000 | 100 | 291,680 | 201,233 | 201,233 | Subsidiary |
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | KLEAN AIR ENTERPRISE LTD. | Samoa | Invest in other region | 138,046 | 138,046 | 4,401,000 | 100 | 145,477 | 14,426 | 14,426 | Subsidiary |
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | Yi Kee Industrial Co., Ltd. | Taiwan | General manufacturing | 7,073 | 7,073 | - | 70 | 12,433 | 3,518 | 2,473 | Subsidiary, Note 1 |
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | AMG HOME Co. Ltd. | Taiwan | General manufacturing | 47,000 | 47,000 | 2,350,000 | 23.5 | - | - | - | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| KLEAN AIR ENTERPRISE LTD. | KUEN LING MACHINERY REFRIGERATING(VIETNAM) CO., LTD. | Vietnam | General manufacturing | 89,325 | 89,325 | - | 100 | 141,444 | 14,089 | - | sub-subsidiary, Note 1, Note 2, Note 3 |
| KLEAN AIR ENTERPRISE LTD. | KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD. | Indonesia | Merchandise sales and trading business | 17,279 | 17,279 | - | 99 | 5,047 | 340 | - | sub-subsidiary, Note 1, Note 2, Note 3 |
| KUEN LING MACHINERY REFRIGERATING (VIETNAM) CO., LTD. | KUENLING MACHINERY REFRIGERATING (INDONESIA) CO., LTD. | Indonesia | Merchandise sales and trading business | 175 | 175 | - | 1 | 51 | 340 | - | sub-subsidiary, Note 1, Note 2, Note 3 |

Note 1: It is a limited company.

Note 2: Converted into New Taiwan Dollars based on the exchange rate on the financial reporting date.

Note 3: It has been incorporated into the Company's profit and loss for the current period evaluated using the equity method, and is calculated and recognized by the Company as investment profit and loss.

Note 4: The difference between the current period’s profit and loss of the invested company and the investment profit and loss recognized by the company is the unrealized profit and loss arising from the company’s internal transactions.

Table 7. Information on investments in Mainland China, Basic information

| Name of investee | Main businesses and products | Total amount of capital surplus | Method of investment ( Note 1 ) | Accumulated amount invested in Mainland China as of January.1,2024 | Invested capital remitted from or repatriated to Taiwan | | Accumulated amount invested in Mainland China as of December. 31, 2024 | Net income Of investee | The Group's direct or indirect investment ratio | Investment gain (loss) recognized by the Group | Book value of the investment as of December. 31, 2023 | Accumulated investment income repatriated to Taiwan as of December. 31, 2023 | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remittance | Repatriation | | | | | | | |
| KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | Manufacturing and sales of ice water machines, etc. | $ 181,713 | 2 | $ 116,068 | $ - | $ - | $ 116,068 | ($ 31,025) | 83 | ($ 25,767) | $ 290,820 | $ 52,793 | Note 2, Note 3 |
| KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | General manufacturing | 272,443 | 2 | 58,649 | - | - | 58,649 | 7,153 | 83 | 13,150 | 250,101 | - | Note 2, Note 3 |
| Suzhou Chu Mao Technology Co., Ltd. | Precision mold control and other manufacturing and sales businesses | 255,459 | 2 | 21,173 | - | - | 21,173 | ( 7,264) | 9 | - | - | - | - |
| Fu Feng Sheet Metal (Shanghai) Co., Ltd. | Manufacturing and sales of sheet metal outer boxes, etc. | - | 2 | 11,157 | - | - | 11,157 | - | - | - | - | - | Note 7 |

| Company Name | The accumulated investment amount remitted from Taiwan to the mainland at the end of current period | The investment amount is approved by Department of Investment Review, MOEA | Investment limits in mainland China as stipulated by Department of Investment Review, MOEA | Remark |
|---|---|---|---|---|
| KUEN LING MACHINERY REFRIGERATING CO., LTD. | $ 207,047 | $ 428,301 | $ 1,147,439 | Note 4, Note 5, Note 6 |

Note 1: Investment methods are divided into the following 3 types, just indicate the category:

(1) Directly investment in the mainland China

(2) Reinvest in mainland China through a third-region company (please indicate the investment company in the third region): Reinvest in mainland China through CHING CHI INTERNATIONAL LIMITED and FULL OCEAN TRADING LIMITED.

(3) Other methods

Note 2: The difference between the amount of paid-in capital of the company and CHING CHI INTERNATIONAL LIMITED is based on the dividends distributed by KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD.; CHING CHI INTERNATIONAL LIMITED was reinvested as the company's capital increase, and KUENLING MACHINERY REFRIGERATING ( SUZHOU) CO., LTD's surplus was transferred to capital increase, the Company did not actually remit the amount.

Note 3: Investment gains and losses are recognized based on the financial statements which have been auditing and attestation by the Taiwanese parent company's accountant.

Note 4: Including the Department of Investment Review, MOEA approved the company's mainland invested company's surplus capital increase and the amount of dividends distributed by the mainland investment company that were indirectly reinvested in another mainland invested company.

Note 5: Converted into New Taiwan Dollars based on the exchange rate on the financial reporting date.

Note 6: According to the Department of Investment Review, MOEA stipulates that the investment limit in mainland China is 60% of the Group's net worth.
Note 7: The liquidation of the reinvested company was completed in 2018.

Table 8. Information on investments in Mainland China, Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area

| | Sales (purchase) goods | | property transaction | | Accounts receivable (payable) | | Endorsement of note guarantees or provides collateral | | Financing | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of invested company | Amount | % | Amount | % | balance | % | Ending balance | Purpose | Maximum balance | Ending balance | interest rate range | Current interest | other |
| KUENLING MACHINERY REFRIGERATING (SUZHOU) CO., LTD. | ($ 20,254) | 2% | $ - | - | $ - | - | $ - | - | $ - | $ - | - | $ - | - |
| KUENLING MACHINERY REFRIGERATING (SHANGHAI) CO., LTD. | ( 21,279) | 2% | - | - | ( 7,083) | 4% | - | - | - | - | - | - | - |

Table 9. Major shareholders

| Shareholder's Name | shares | |
|---|---|---|
| | Shareholding Amount | Percentage |
| TECO Electric & Machinery Co., Ltd. | 10,879,642 | 14.28% |
| Wen-Chi Ko | 4,414,075 | 5.79% |

Note:

(1) The information on the major shareholders in this table is based on the last business day of the end of each quarter by CCB. The total number of ordinary shares and special shares of the company that have been delivered without physical registration (including treasury shares) is calculated by the shareholders of the company up to 5%. There may be differences due to the calculation basis of the preparation between share capital recorded in the company's financial report and the company's actual non-physical registration of shares.

(2) If the information above belongs to the trust on behalf of the shareholders, it is disclosed by the individual and trustor who opened the trust account by the trustee. As for shareholders to declare shares who hold more than 10% of their shares in accordance with the Securities and Exchange Act, its shareholding includes personal holding of shares plus the shares delivered to the trust with decision right etc.

Please refer to the Public Information Observatory for information on insider shareholding declarations.

(3) The compilation principle of this table is to calculate the distribution of the balance of each credit transaction based on the list of securities owners that have been closed for transfer at the extraordinary meeting of shareholders (securities lending is not covered).

(4) Shareholding ratio (%) = total number of shares held by the shareholder/total number of shares that have been delivered with non-physical registration.

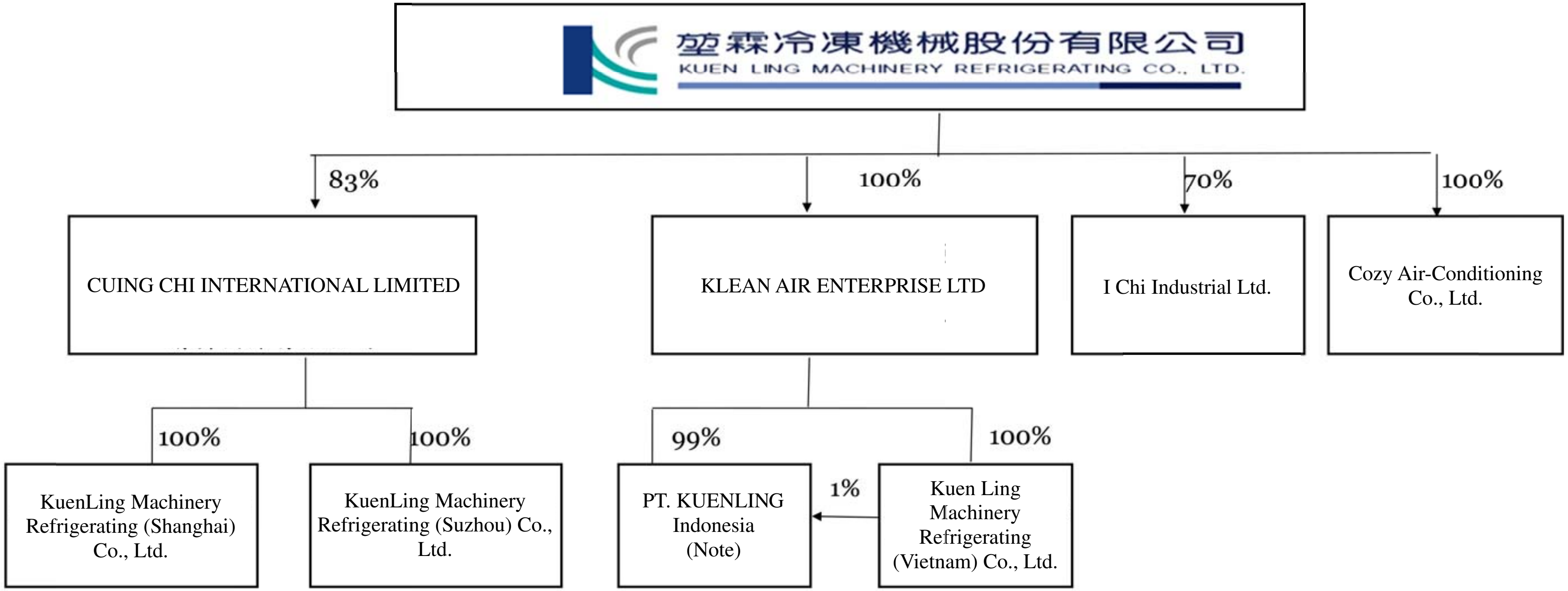
(5) The total number of shares that have been delivered with non-physical registration (including treasury shares) is 76,152,370 shares = 76,152,370 (ordinary shares) + 0 (preferred stock).

Appendix 3

# 2024 Consolidated Business Report of Affiliated Enterprises

## (I) Overview of Affiliated Enterprise Organization

### 1. Affiliated Enterprise Organizational Chart:




Note: On March 12, 2024, the Board of Directors and Shareholders' Meeting of KLEAN AIR ENTERPRISE LTD. resolved to terminate the business operations of its invested company, PT. KUENLING Indonesia. The related procedures are currently underway.

2. Basic information on affiliates

Unit: thousand

| Company Name | Date of Incorporation | Address | Paid-in Capital | | Main Business Items |
|---|---|---|---|---|---|
| Kuen Ling Machinery Refrigerating Co., Ltd. | 1988.04.05 | No. 300 Chikan North Road, Ziguan District, Kaohsiung | TWD | 761,524 | Note 1<br>Note 6<br>Note 7 |
| Cozy Air-Conditioning Co., Ltd. (Note 9) | 2004.11.15 | 1/F, No. 300 Chikan North Road, Ziguan District, Kaohsiung | TWD | 60,000 | Note 1<br>Note 5 |
| I Chi Industrial Ltd. | 2000.07.10 | No. 170, Liuqiu Village Farm Road, Daliao District, Kaohsiung | TWD | 11,000 | Note 2 |
| CHING CHI INTERNATIONAL LIMITED | 2000.07.12 | P.0.B0X957, Offshore Incorporations Centere, Road Town, Tortola, British Virgin Islands | USD | 7,450 | Note 3 |
| KLEAN AIR ENTERPRISE LTD | 2002.03.20 | Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa | USD | 4,401 | Note 3 |
| KuenLing Machinery Refrigerating (Shanghai) Co., Ltd. | 2000.09.01 | Building 17, Block B, 2nd Floor, Room 202, No. 470, Jiujing Road, Jiuting Town, Songjiang District, Shanghai | TWD | 181,713 | Note 1<br>Note 6<br>Note 7 |
| KuenLing Machinery Refrigerating (Suzhou) Co., Ltd. | 2006.04.18 | No. 815 Jiangxing East Road, Wujiang Economic and Technological Development Zone, Jiangsu Province | TWD | 272,443 | Note 7 |
| Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. | 2005.11.25 | So 10-12, Duong so7, KCN TanDue, Xa Due Hoa Ha, Huyen Due Hoa,Tinh Long An, Vietnam | USD | 3,000 | Note 1<br>Note 7 |
| PT. KUENLING Indonesia (Note 8) | 2017.06.09 | Ruko Galeri Niage Mediterania1 Blok B 8 A Jl.Pantai Indah Utara 2,Pantai Indan Kapuk,Kel. kapuk Muara, Kec. Penjaringan Jakarta Utara 14460, Indonesia. | USD | 300 | Note 3<br>Note 4 |

Note 1: Manufacturing, engineering, leasing and international trade of refrigeration and air conditioning machinery and equipment.

Note 2: Pain works, machinery installation and hardware wholesale.

Note 3: Import and export, wholesale and retail, rental, distribution, assembly, manufacturing, sales, certification, investment, management and development.

Note 4: Trading of all kinds of hardware parts, machinery manufacturing, refrigeration engineering contracting and import and export trade.

Note 5: Manufacturing of machinery, ship and parts, refrigeration ventilation and air conditioning engineering and international trade business.

Note 6: Production of various types of refrigeration and air conditioning units, heat exchangers and supporting products, and sell our own products.

Note 7: Manufacturing and sales of refrigeration and air conditioning equipment, forced draft fans, air conditioning boxes, etc.

Note 8: On March 12, 2024, the Board of Directors and Shareholders' Meeting of KLEAN AIR ENTERPRISE LTD. resolved to terminate the business operations of its invested company, PT. KUENLING Indonesia. The related procedures are currently underway.

Note 9: Cozy Air-Conditioning Co., Ltd. has changed its paid-in capital amount as of March 31, 2025, with NTD 60,000,000.

**3. Information on directors, supervisors and general manager of affiliated enterprises**

Unit: NT$ thousand; thousand shares; %

| Company Name | Position | Name or Legal Representative | Shareholding (Notes 1 and 2) | |
|---|---|---|---|---|
| | | | Shares | Shareholding Ratio |
| Kuen Ling Machinery Refrigerating Co., Ltd. | Chairman and General Manager | Chung-Kuo Tseng | 2,423 shares | 3.18% |
| | Director | Rung-Pin Yeh | 2,658 shares | 3.49% |
| | Director | TECO Electric & Machinery Co., Ltd. (Representative: Chi-Tseng Peng) | 10,666 shares | 14.01% |
| | Director | Wen-Chi Ko | 4,414 shares | 5.80% |
| | Director | Hua Hong Industrial Co., Ltd. (Representative: Yu-Fen, Huang) | 1,467 shares | 1.93% |
| Cozy Air-Conditioning Co., Ltd. (Note 4) | Chairman | Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Chung-Kuo Tseng) | 6,000 shares | 100% |
| | Director | Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Rung-Pin Yeh) | | |
| | Director | Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Yu-Fen Huang) | | |
| | Supervisor | Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Wen-Chi Ko) | | |
| I Chi Industrial Ltd. | Chairman | Hsian-Yu Wang | $ 1,500 | 13.6% |
| | Shareholder | Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Chung-Kuo Tseng) | $ 7,700 | 70% |
| CHING CHI INTERNATIONAL LIMITED | Chairman | Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Chung-Kuo Tseng) | $ 201,467 | 83% |
| | Shareholder | United View Global Investment Co., Ltd (Representative: Ching-Wen Lu) | $ 41,264 | 17% |
| KLEAN AIR ENTERPRISE LTD | Chairman | Kuen Ling Machinery Refrigerating Co., Ltd. (Representative: Chung-Kuo Tseng) | $ 138,046 | 100% |
| KuenLing Machinery Refrigerating (Shanghai) Co., Ltd. | Chairman | CHING CHI INTERNATIONAL LIMITED (Chung-Kuo Tseng) | $ 181,713 | 100% |
| KuenLing Machinery Refrigerating (Suzhou) Co., Ltd. | Chairman | CHING CHI INTERNATIONAL LIMITED (Representative: Chung-Kuo Tseng) | $ 272,443 | 100% |
| Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. | Shareholder | KLEAN AIR ENTERPRISE LTD (Representative: Chung-Kuo Tseng) | $ 89,325 | 100% |

Unit: NT$ thousand; thousand shares; %

| Company Name | Position | Name or Legal Representative | Shareholding (Notes 1 and 2) | |
|---|---|---|---|---|
| | | | Shares | Shareholding Ratio |
| PT. KUENLING Indonesia (Note3) | Shareholder | KLEAN AIR ENTERPRISE LTD (Representative: Chung-Kuo Tseng) | $ 17,279 | 99% |
| | Shareholder | Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. (Representative: Chung-Kuo Tseng) | $ 175 | 1% |

Note 1: If the investee company is a company limited by shares, please fill in the number of shares and shareholding ratio; for “others”, fill in the amount and ratio of capital contribution.

Note 2: If the affiliated enterprise is a foreign company, list its capital contribution in New Taiwan Dollars at the historical exchange rate.

Note 3: On March 12, 2024, the Board of Directors and Shareholders' Meeting of KLEAN AIR ENTERPRISE LTD. resolved to terminate the business operations of its invested company, PT. KUENLING Indonesia. The related procedures are currently underway.

Note 4: Cozy Air-Conditioning Co., Ltd. has changed its paid-in capital amount as of March 31, 2025, with a total of 6,000,000 shares.

**II. Overview of all affiliated enterprises' operation:**

Financial status and operating results of all affiliated enterprises:

Unit: NT$ thousand (earnings per share is in NT$)

| Company Name | Amount of Capital (Note 1) | Total Assets (Note 2) | Total Liabilities (Note 2) | Net Value | Operating Revenue (Note 2) | Operating Profit (Note 2) | Current Profit (loss) (Note 2) | Earnings per Share |
|---|---|---|---|---|---|---|---|---|
| Kuen Ling Machinery Refrigerating Co., Ltd. | 761,524 | 2,515,995 | 720,041 | 1,795,954 | 2,009,564 | 105,738 | 319,549 | 4.20 |
| Cozy Air-Conditioning Co., Ltd. (Note 3) | 60,000 | 782,405 | 489,767 | 292,638 | 1,655,301 | 250,275 | 201,233 | 67.08 |
| I Chi Industrial Ltd. | 11,000 | 23,937 | 6,176 | 17,761 | 28,725 | 4,213 | 3,518 | 3.20 |
| Ching Chi International Limited | 242,731 | 653,645 | - | 653,645 | - | (146) | (13,301) | |
| KLEAN AIR ENTERPRISE LTD | 138,046 | 149,160 | - | 149,160 | - | (36) | 14,425 | |
| KuenLing Machinery Refrigerating (Shanghai) Co., Ltd. | 181,713 | 957,922 | 607,016 | 350,906 | 991,401 | (42,490) | (31,025) | |
| KuenLing Machinery Refrigerating (Suzhou) Co., Ltd. | 272,443 | 383,167 | 80,669 | 302,498 | 373,461 | 10,456 | 7,153 | |
| Kuen Ling Machinery Refrigerating (Vietnam) Co., Ltd. | 89,325 | 194,367 | 52,924 | 141,444 | 115,010 | 17,673 | 14,089 | |
| PT. KUENLING Indonesia | 17,279 | 8,573 | 3,475 | 5,098 | 18,376 | 129 | 340 | |

Note 1: If the affiliated enterprise is a foreign company, list its capital contribution in New Taiwan Dollars at the historical exchange rate.

Note 2: If the affiliated enterprise is a foreign company, list its total assets and total liabilities in New Taiwan Dollars at the exchange rate on the balance sheet date; its operating income, operating profit and current profit and loss are listed in New Taiwan Dollars at the annual average exchange rate of the current year.

Note 3: Cozy Air-Conditioning Co., Ltd. has changed its paid-in capital amount as of March 31, 2025, with NTD 60,000,000.

**III. Declaration Concerning the Consolidated Financial Statements of Affiliated Enterprises:**

The business entities to be included in the Company's 2024 (from January 1, 2024 to December 31, 2024) "Affiliated Enterprise Consolidated Financial Statements" that are prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises" and the business entities to be included in the Company's parent-subsidiary consolidated financial statements in accordance with IFRS No. 10 are the same; also, the relevant information to be disclosed in the "Consolidated Financial Statements of Affiliated Enterprises" has already been disclosed in the aforementioned parent-subsidiary consolidated financial statements; therefore, the "Consolidated Financial Statements of Affiliated Enterprises" is not prepared separately.

Hereby declare

Company Name: Kuen Ling Machinery Refrigerating Co., Ltd.

Chairman: Chung-Kuo Tseng

March 11, 2025