

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

**World Known MFG (Cayman) Limited
and Subsidiaries**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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The independent auditors' report and the accompanying 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.

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Independent Auditors' Report

To the Board of Directors of World Known MFG (Cayman) Limited:

Opinion

We have audited the consolidated financial statements of World Known MFG (Cayman) Limited and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2024 and 2023, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, 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 Financial Statement Audit and Attestation Engagements of 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 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 of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

1. Appropriateness of Revenue Recognition Timing

Please refer to note 4(m) to the consolidated financial statements for accounting policy of revenue recognition, and note 6(t) for explanation of revenue recognition.

Description of key audit matter:

Revenue is the key performance indicator for evaluating the performance of the financial and operation of the Group. In addition, revenue is recognized when the control in each individual contract with customers is transferred. The Company recognizes revenue depending on the various sales terms in each individual contract with customers to ensure the significant risks and rewards of ownership have been transferred. Therefore, the revenue recognition is one of the key audit matters in our audit.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included assessing and testing the Group's internal controls surrounding revenue recognition; conducting customer trend analysis to assess the existence of any significant exception; on a sample basis, inspecting contracts with customers or customers' orders, and assessing whether the accounting treatment of the related contracts is applied appropriately, and performing test of details on sales to assess the existence, accuracy and appropriateness of revenue recognition, and performing sales cut-off test of a period before and after the financial position date by vouching related document of sales transactions to determine whether revenue have been appropriately recognized.

2. Inventory Valuation

Please refer to note 4(h) to the consolidated financial statements for accounting policy of inventory; Note 5 for accounting estimations and assumptions of valuation of inventory, and note 6(e) for explanation of valuation of inventory.

Description of key audit matter:

The Group's belongs to precision machining of castings industry. The Group's inventories are measured at the lower of cost and net realizable value. However, the cost of inventory might exceed its net realizable value due to the rapid advancement of technology and the changes in market demand. Therefore, inventory evaluation is one of our key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures, included reasonable assessing the Group's allowance amount of inventory according to its characteristic; conducting sampling to examine accuracy of inventory aging; examine whether the Group has conduct accounting policy of inventory valuation; compare and examine past allowance method of inventory with current year, to confirm whether the assumption of allowance of inventory method are in appropriate.

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 with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Group'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 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the 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 of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yen-Hui, Chen and Shyb-Huar, Kuo.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2025

Notes to Readers

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

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.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
World Known MFG (Cayman) Limited and Subsidiaries

Consolidated Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2024		December 31, 2023				December 31, 2024		December 31, 2023	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 593,157	33	550,466	32	2100	Short-term borrowings (note 6(j) and 8)	\$ 74,780	4	83,270	5
1141	Current financial assets at amortized cost (note 6(b))	22,390	1	-	-	2130	Current contract liabilities(note 6(t))	380	-	1,018	-
1150	Notes receivables, net (note 6(c))	5,130	-	4,294	-	2170	Accounts payable	137,592	8	155,565	9
1170	Accounts receivable, net (note 6(c))	149,534	9	190,676	11	2180	Accounts payable to related parties (note 7)	23,786	1	15,416	1
1180	Accounts receivable due from related parties, net (note 6(c) and 7)	7	-	20	-	2200	Other payables (note 6(k) and (p))	152,407	8	152,401	9
1200	Other receivables (note 6(d))	32,931	2	24,422	1	2220	Other payable to related parties (note 7)	6,129	-	1,379	-
1210	Other receivables from related parties (note 6(d) and 7)	79	-	223	-	2230	Current income tax liabilities	32,900	2	35,148	2
1220	Current tax assets	40	-	8	-	2280	Current lease liabilities (note 6(n) and 7)	7,241	-	8,481	-
1310	Inventories (note 6(e))	287,605	16	262,456	15	2300	Other current liabilities (note 6(l))	9,547	1	9,579	-
1470	Other current assets (note 6(i))	<u>14,667</u>	<u>1</u>	<u>12,694</u>	<u>1</u>	2313	Deferred revenue (note 6(o))	44	-	103	-
		<u>1,105,540</u>	<u>62</u>	<u>1,045,259</u>	<u>60</u>	2322	Long-term borrowings, current portion (note 6(m) and 8)	<u>16,040</u>	<u>1</u>	<u>26,919</u>	<u>2</u>
Non-current assets:								<u>460,846</u>	<u>25</u>	<u>489,279</u>	<u>28</u>
1541	Non-current financial assets at amortized cost (note 6(b))	134,341	8	151,446	9	Non-Current liabilities:					
1600	Property, plant and equipment (note 6(f) and 8)	456,519	25	480,537	27	2540	Long-term borrowings (note 6(m) and 8)	174,135	10	171,071	9
1755	Right-of-use assets (note 6(g), 7 and 8)	95,196	5	53,830	3	2580	Non-current lease liabilities (note 6(n) and 7)	21,685	1	28,687	2
1780	Intangible assets (note 6(h))	3,062	-	3,770	-	2630	Long-term deferred revenue (note 6(o))	-	-	45	-
1840	Deferred income tax assets (note 6(q))	5,310	-	3,755	-			<u>195,820</u>	<u>11</u>	<u>199,803</u>	<u>11</u>
1900	Other non-current assets (note 6(i) and 9)	<u>4,612</u>	<u>-</u>	<u>12,952</u>	<u>1</u>		Total liabilities	<u>656,666</u>	<u>36</u>	<u>689,082</u>	<u>39</u>
		699,040	38	706,290	40	Equity attributable to owners of parent: (note 6(r))					
						3100	Capital stock	338,990	19	338,990	19
						3211	Capital surplus	334,354	19	334,354	19
						3300	Retained earnings	464,890	26	416,732	25
						3400	Other equity	<u>7,817</u>	<u>-</u>	<u>(29,418)</u>	<u>(2)</u>
							Total equity attributable to owners of parent:	<u>1,146,051</u>	<u>64</u>	<u>1,060,658</u>	<u>61</u>
						36XX	Non-controlling interests	<u>1,863</u>	<u>-</u>	<u>1,809</u>	<u>-</u>
							Total equity attributable to owners of parent	<u>1,147,914</u>	<u>64</u>	<u>1,062,467</u>	<u>61</u>
Total assets		<u><u>\$ 1,804,580</u></u>	<u><u>100</u></u>	<u><u>1,751,549</u></u>	<u><u>100</u></u>		Total liabilities and equity	<u><u>\$ 1,804,580</u></u>	<u><u>100</u></u>	<u><u>1,751,549</u></u>	<u><u>100</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
World Known MFG (Cayman) Limited and Subsidiaries
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars , except for earnings per share)

	2024		2023	
	Amount	%	Amount	%
4000 Operating revenue (note 6(t) and 7)	\$ 1,082,879	100	1,197,391	100
5000 Operating costs (note 6(e), (p) and 7)	<u>730,705</u>	<u>67</u>	<u>807,823</u>	<u>67</u>
5900 Gross profit from operations	<u>352,174</u>	<u>33</u>	<u>389,568</u>	<u>33</u>
6000 Operating expenses (note 6(p), (u) and 7):				
6100 Selling expenses	55,553	5	48,352	4
6200 Administrative expenses	88,087	8	96,165	8
6300 Research and development expenses	<u>29,904</u>	<u>3</u>	<u>24,465</u>	<u>2</u>
	<u>173,544</u>	<u>16</u>	<u>168,982</u>	<u>14</u>
6900 Net operating income	<u>178,630</u>	<u>17</u>	<u>220,586</u>	<u>19</u>
7000 Non-operating income and expenses (note 6(v)) :				
7100 Interest income	25,494	2	20,468	2
7010 Other income (note 6(o))	4,328	-	3,572	-
7020 Other gains and losses, net	13,708	1	11,577	1
7050 Finance costs (note 6(n) and 7)	<u>(6,616)</u>	<u>(1)</u>	<u>(5,730)</u>	<u>(1)</u>
	<u>36,914</u>	<u>2</u>	<u>29,887</u>	<u>2</u>
7900 Profit before income tax	215,544	19	250,473	21
7950 Income tax expenses (note 6(q))	<u>45,417</u>	<u>4</u>	<u>47,206</u>	<u>4</u>
Profit	<u>170,127</u>	<u>15</u>	<u>203,267</u>	<u>17</u>
8300 Other comprehensive income (loss):				
8310 Items that may not be reclassified subsequently to profit or loss				
8341 Exchange differences on translation of foreign financial statements	148,306	14	(3,251)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(q))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>148,306</u>	<u>14</u>	<u>(3,251)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(110,950)	(10)	(10,809)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(q))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(110,950)</u>	<u>(10)</u>	<u>(10,809)</u>	<u>(1)</u>
8300 Other comprehensive income (after tax)	<u>37,356</u>	<u>4</u>	<u>(14,060)</u>	<u>(1)</u>
8500 Comprehensive income	<u>\$ 207,483</u>	<u>19</u>	<u>189,207</u>	<u>16</u>
Profit (loss) attributable to:				
8610 Owners of parent	\$ 170,194	15	203,306	17
8620 Non-controlling interests	<u>(67)</u>	<u>-</u>	<u>(39)</u>	<u>-</u>
	<u>\$ 170,127</u>	<u>15</u>	<u>203,267</u>	<u>17</u>
Comprehensive income (loss) attributable to:				
8710 Owners of parent	\$ 207,429	19	189,313	16
8720 Non-controlling interests	<u>54</u>	<u>-</u>	<u>(106)</u>	<u>-</u>
	<u>\$ 207,483</u>	<u>19</u>	<u>189,207</u>	<u>16</u>
Earnings per share (NT dollars) (note 6(s))				
9750 Basic earnings per share	<u>\$ 5.02</u>		<u>6.00</u>	
9850 Diluted earnings per share	<u>\$ 5.01</u>		<u>5.98</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
World Known MFG (Cayman) Limited and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent						Other equity interest			
	Retained earnings						Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Share Capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total				
Balance at January 1, 2023	\$ 338,990	334,365	24,216	29,847	244,111	298,174	(15,425)	956,104	302	956,406
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	11,321	-	(11,321)	-	-	-	-	-
Reversal of special reserve	-	-	-	(14,422)	14,422	-	-	-	-	-
Ordinary shares	-	-	-	-	(84,748)	(84,748)	-	(84,748)	-	(84,748)
	-	-	11,321	(14,422)	(81,647)	(84,748)	-	(84,748)	-	(84,748)
Profit for the year	-	-	-	-	203,306	203,306	-	203,306	(39)	203,267
Other comprehensive income for the year	-	-	-	-	-	-	(13,993)	(13,993)	(67)	(14,060)
Total comprehensive income for the year	-	-	-	-	203,306	203,306	(13,993)	189,313	(106)	189,207
Other changes in capital surplus:										
The difference in net equity resulting from the subscription of new shares not in proportion	-	(11)	-	-	-	-	-	(11)	11	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	1,602	1,602
Balance at December 31, 2023	\$ 338,990	334,354	35,537	15,425	365,770	416,732	(29,418)	1,060,658	1,809	1,062,467
Balance at January 1, 2024	\$ 338,990	334,354	35,537	15,425	365,770	416,732	(29,418)	1,060,658	1,809	1,062,467
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	20,330	-	(20,330)	-	-	-	-	-
Special reserve	-	-	-	13,993	(13,993)	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(122,036)	(122,036)	-	(122,036)	-	(122,036)
	-	-	20,330	13,993	(156,359)	(122,036)	-	(122,036)	-	(122,036)
Profit for the period	-	-	-	-	170,194	170,194	-	170,194	(67)	170,127
Other comprehensive income for the year	-	-	-	-	-	-	37,235	37,235	121	37,356
Total comprehensive income for the year	-	-	-	-	170,194	170,194	37,235	207,429	54	207,483
Balance at December 31, 2024	\$ 338,990	334,354	55,867	29,418	379,605	464,890	7,817	1,146,051	1,863	1,147,914

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
World Known MFG (Cayman) Limited and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	<u>2024</u>	<u>2023</u>
Cash flows from (used in) operating activities:		
Profit from continuing operations before tax	\$ 215,544	250,473
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	55,809	54,272
Amortization expense	2,129	2,356
Interest expense	6,616	5,730
Interest income	(25,494)	(20,468)
Gain on disposal of property, plant and equipment	-	(62)
Allowance for inventory valuation and obsolescence (gain on inventory value recoveries) loss	-	(295)
Total adjustments to reconcile profit	<u>39,060</u>	<u>41,533</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
(Increase) decrease in notes receivable	(836)	592
Decrease (increase) in accounts receivable	41,142	(304)
Decrease in accounts receivable from related parties	13	15
(Increase) decrease in other receivables	(8,509)	4,448
Decrease (increase) in other receivable from related parties	144	(85)
(Increase) decrease in inventories	(25,149)	37,587
Decrease in prepayments	2,456	4,956
Increase in other current assets	(4,429)	(1,863)
Total changes in operating assets	<u>4,832</u>	<u>45,346</u>
Changes in operating liabilities:		
Decrease in current contract liabilities	(638)	(5,148)
Decrease in accounts payable	(17,973)	(4,935)
(Increase) decrease in accounts payable to related parties	8,370	(7,416)
(Decrease) increase in other payables	(2,191)	20,073
Increase (decrease) in other payables to related parties	4,750	(158)
Decrease in other current liabilities	(32)	(3,901)
Total changes in operating liabilities	<u>(7,714)</u>	<u>(1,485)</u>
Total changes in operating assets and liabilities	<u>(2,882)</u>	<u>43,861</u>
Cash inflow generated from operations	251,722	335,867
Interest received	25,494	20,755
Interest paid	(6,661)	(5,671)
Income taxes paid	(49,252)	(55,313)
Net cash flows from operating activities	<u>221,303</u>	<u>295,638</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(129,810)
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	281,255
Acquisition of property, plant and equipment	(8,309)	(77,428)
Proceeds from disposal of property, plant and equipment	-	287
Acquisition of intangible assets	(1,351)	(667)
Acquisition of right-of-use assets	(42,870)	-
Increase in prepayments for equipment	(2,556)	(1,525)
Decrease in other prepayments	-	(8,913)
Increase in refundable deposits	(24)	(421)
Decrease in non-current assets	199	214
Net cash flows (used in) from investing activities	<u>(54,911)</u>	<u>62,992</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	94,557	133,933
Decrease in short-term loans borrowings	(104,557)	(100,000)
Proceeds from long-term borrowings	19,000	16,000
Repayments of long-term borrowings	(26,919)	(25,778)
Repayments of lease liabilities	(8,571)	(8,160)
Cash dividends paid	(122,036)	(84,748)
Change in non-controlling interests	-	1,602
Net cash flows used in financing activities	<u>(148,526)</u>	<u>(67,151)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>24,825</u>	<u>(5,528)</u>
Net increase in cash and cash equivalents	<u>42,691</u>	<u>285,951</u>
Cash and cash equivalents at beginning of period	<u>550,466</u>	<u>264,515</u>
Cash and cash equivalents at end of period	<u>\$ 593,157</u>	<u>550,466</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

World Known MFG (Cayman) Limited and Subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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

(1) Company history

World Known MFG (Cayman) Limited (the “Company”) was established in the Cayman Islands in November 2015. The main purpose of the establishment was to restructure its group entities for application to list on Taiwan Stock Exchange (“TWSE”) in the Republic of China. The Company became the holding company of Honour Glory International Ltd. (“Honour”) by using acquisition of shares for cash and share swaps with previous shareholders of Honour to restructure the group. The Company’s shares have been listed and traded on the TWSE since March 9, 2020. The Company and its subsidiaries (together referred to as the “Group”) is primarily involved in the manufacturing and selling the energy-saving and carbon-reducing parts of commercial vehicle engine, ADB calipers, rear panels of brake pad, bend pipes and accessories of turbocharger, cases of flywheel, cases of swing arms, exhaust manifolds, braces, core shafts, parts for braking system of wind power generator and processed products of machinery parts for various industries.

(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 14, 2025.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, 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”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS21 “Lack of Exchangeability”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

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World Known MFG (Cayman) Limited and Subsidiaries
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027

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The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

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 consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(ii) Functional and presentation currency

The Company’s functional currency is United States Dollar(USD). However, to be consistent with the Group, which is listed in the stock market in Taiwan, the operation results and the financial information are translated into and presented in NTD at the reporting date according to IAS21. Consolidated balance sheet is translated into the presentation currency at the exchange rates at the reporting date; Consolidated statement of comprehensive income is translated at the average exchange rate for the current year. Capital transactions and other equity items are translated at the exchange rate at the transaction date, from which the exchange differences are recognized in other comprehensive income. The financial information presented in NTD is expressed in thousands of NTD. The exchange rate for USD to NTD on December 31, 2024 and 2023 are 32.1251 and 30.705, respectively. The average exchange rate

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World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

for USD to NTD for the year 2024 and 2023 is 32.785 and 31.1773, respectively.

As of December 31, 2024 and 2023, the accumulated exchange loss arisen from the conversion from USD, the functional currency, to NTD, the presentation currency, are \$156,549 thousand and \$(8,243) thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprised of the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases. Intra group balances and transactions, and any unrealized income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income 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.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Share holding		Note
			December31, 2024	December31, 2023	
The Company	Honour Glory International Ltd. (Honour)	Investing and holding	100%	100%	
The Company	World Known Precision Industry Co., Ltd. (WKPT)	Precision Metalworking	100 %	100%	
The Company	WKP HITECH USA, INC. (WKP USA)	Merchandise trading	96.92%	90%	Note 1
Honour	World Known Precision Industry (Fuzhou) Co., Ltd. (WKPF)	Precision Metalworking	100 %	100 %	

Note 1: On May 10, 2023, the Board of Directors resolved that the Company would participate in a capital increase in cash by its subsidiary, WKP HITECH USA, INC. The Company subscribed to 1,800 thousand shares for an investment amount of NT\$1,800 thousand. The relevant registration was completed on August 18, 2023, resulting in an increase in the Company’s shareholding ratio from 90% to 96.92%.

(iii) Subsidiaries excluded from the consolidation financial statements: None.

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(d) Foreign currency

(i) Foreign currency transaction

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

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

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

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

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(e) Classification of current and non-current assets and liabilities

The Group classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost.

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World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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

2) Impairment of financial assets

The Group recognizes its loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL :

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

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

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

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World Known MFG (Cayman) Limited and Subsidiaries

Notes to the Consolidated Financial Statements

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 120 days (the Group from Taiwan) and 180 days (the Group from China) past due or the debtor is unlikely to fully pay its credit obligations to the Group in full.

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

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

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

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

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

- a breach of contract such as a default or being more than 360 days past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

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3) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

(ii) Financial liabilities and equity instrument

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) **Offsetting of financial assets and liabilities**

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

(h) Inventories

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

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

(i) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent cost

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

(iii) Depreciation

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

Land is not depreciated.

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The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings and structures	3 ~ 35 years
2) Machinery and equipment	1 ~ 20 years
3) Office equipment	3 ~ 10 years
4) Transportation equipment	1 ~ 10 years
5) Other equipment	1 ~ 20 years

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

(j) Leases

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

(i) As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be paid under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise an option to purchase the underlying asset; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an extension or termination option; or
- there are any lease modifications.

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

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

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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

(k) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

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

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

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The intangible assets of the consolidated entities consist of computer software, with estimated useful lives ranging from 1 to 10 years for both the current and comparative periods.

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

(l) Impairment of non-financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

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

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

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(m) Revenue from contracts with customers

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

(i) Sale of goods

The Group manufactures and sells processed products of machinery parts for various industries. The Group recognizes revenue 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, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

(ii) 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.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Pension funds are recognized according to the labor regulations of the People's Republic of China, these obligations should be recognized as expense in the period they occurred.

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(ii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) **Income taxes**

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

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities at reporting date and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

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(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

- 1) the same taxable entity; or
- 2) different taxable entities which intends to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(p) Business combination

The Company accounts for business combinations using the acquisition method. The goodwill arising from an acquisition is measured as the excess of (i) the consideration transferred (which is generally measured at fair value) and (ii) the amount of non-controlling interest in the acquiree, both over the identifiable net assets acquired at the acquisition date. If the amount calculated above is a deficit balance, the Group recognized that amount as a gain on a bargain purchase in profit or loss immediately after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed.

All acquisition-related transaction costs are expensed as incurred, except for the issuance of debt or equity instruments.

For each business combination, the Group measures any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by the IFRS Accounting Standards endorsed by the FSC.

(q) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share are calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

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

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(e) for further description of the valuation of inventories.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Petty cash and cash on hand	\$ 265	295
Demand deposits	66,139	133,332
Check deposits	14,109	14,918
Time deposits	512,644	401,921
Cash and cash equivalents in the consolidated statement of cash flows	<u><u>\$ 593,157</u></u>	<u><u>550,466</u></u>

Please refer to note 6(w) for the exchange rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Financial assets measured at amortized cost

	December 31, 2024	December 31, 2023
Current		
Certificates of time deposit	\$ <u><u>22,390</u></u>	<u><u>-</u></u>
Non-current		
Certificates of time deposit	\$ <u><u>134,341</u></u>	<u><u>151,446</u></u>

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The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost. For credit risk, please refer to note 6(w).

(c) **Notes and accounts receivable** (including related parties)

	December 31, 2024	December 31, 2023
Notes receivable from operating activities	<u>\$ 5,130</u>	<u>4,294</u>
Accounts receivable-measured as amortized cost	152,599	193,641
Accounts receivable from related parties-measured as amortized cost	7	20
Less: Loss allowance	<u>(3,065)</u>	<u>(2,965)</u>
	<u>\$ 149,541</u>	<u>190,696</u>

- (i) The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivable has been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information.
- (ii) The loss allowance provision in China was determined as follows:

	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 112,825	1.67%	1,886
1 to 90 days past due	2,508	5.04%	127
91 to 180 days past due	397	100%	397
More than 181 days past due	<u>546</u>	100%	<u>546</u>
	<u>\$ 116,276</u>		<u>2,956</u>

	December 31, 2023		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 127,191	1.33%	1,698
1 to 90 days past due	21,949	0.42%	92
91 to 180 days past due	54	40.74%	22
More than 181 days past due	<u>1,044</u>	100%	<u>1,044</u>
	<u>\$ 150,238</u>		<u>2,856</u>

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(iii) The loss allowance provision in Taiwan was determined as follows:

	December 31, 2024		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 41,405	0.13%	54
1 to 90 days past due	-	-%	-
91 to 120 days past due	-	-%	-
More than 121 days past due	55	100%	55
	\$ 41,460		109

	December 31, 2023		
	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	\$ 47,546	-%	-
1 to 90 days past due	81	23.46%	19
91 to 120 days past due	90	100%	90
	\$ 47,717		109

(iv) The movement in the allowance for notes and accounts receivable were as follows:

	For the years ended December 31,	
	2024	2023
Balance at January 1	\$ 2,965	3,019
Effect of movements in exchange rates	100	(54)
Balance at December 31	\$ 3,065	2,965

(v) The notes and accounts receivable of the Group had not been pledged.

(vi) For further credit risk and exchange rate risk information, please refer to note 6(w).

(d) **Other receivables**

	December 31, 2024	December 31, 2023
Other receivables	\$ 32,931	24,422
Other receivables-Related parties	79	223
	\$ 33,010	24,645

None of the other receivables of the Group has past due as of December 31, 2024 and 2023. There is no impairment recognized in year ended December 31, 2024 and 2023.

Other receivables are mainly receivables for molds and costs of insurance and freight. For further credit risk information, please refer to note 6(w).

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(e) Inventories

	December 31, 2024	December 31, 2023
Finished goods	\$ 188,001	157,525
Work in progress	64,587	73,362
Raw materials	25,592	24,651
Supplies	9,425	6,918
	<u>\$ 287,605</u>	<u>262,456</u>

The cost of sales sold were as follows :

	For the year ended December 31, 2024	2023
Transferred from inventories sold	\$ 736,878	814,808
Gain on Inventory value recoveries	-	(295)
Gain of inventory shortage	(33)	(20)
Loss on disposal of inventory	580	207
Gain on disposal of leftover bits and pieces	(6,720)	(6,877)
Operating costs recognized	<u>\$ 730,705</u>	<u>807,823</u>

As of December 31, 2024 and 2023, the Group reversed previously recognized inventory write-downs due to an increase in net realizable value, primarily resulting from the sale of finished goods for which write-downs had been previously recorded.

The Group did not provide any inventories as collateral for its loans.

(f) Property, plant and equipment

The cost, and depreciation of the property, plant and equipment of the Group in 2024 and 2023, were as follows:

	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Total
Cost or deemed cost:						
Balance on January 1, 2024	\$ 255,805	195,697	486,578	9,607	63,680	1,011,367
Additions	-	39	5,935	1,390	3,187	10,551
Disposal	-	(390)	(3,511)	(33)	-	(3,934)
Reclassification	-	-	1,595	-	213	1,808
Effect of movements in exchange rates	237	8,190	12,154	228	1,389	22,198
Balance on December 31, 2024	<u>\$ 256,042</u>	<u>203,536</u>	<u>502,751</u>	<u>11,192</u>	<u>68,469</u>	<u>1,041,990</u>

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	Land	Building and construction	Machinery and equipment	Transportation equipment	Office equipment and other facilities	Total
Balance on January 1, 2023	\$ 252,305	147,990	479,275	8,700	60,457	948,727
Additions	3,554	51,157	18,921	1,240	3,997	78,869
Disposal	-	(105)	(5,289)	(231)	(61)	(5,686)
Reclassification	-	-	151	-	-	151
Effect of movements in exchange rates	(54)	(3,345)	(6,480)	(102)	(713)	(10,694)
Balance on December 31, 2023	<u>\$ 255,805</u>	<u>195,697</u>	<u>486,578</u>	<u>9,607</u>	<u>63,680</u>	<u>1,011,367</u>
Depreciation loss:						
Balance on January 1, 2024	\$ -	87,881	392,470	7,536	42,943	530,830
Depreciation for the year	-	9,247	28,555	779	5,618	44,199
Disposal	-	(390)	(3,511)	(33)	-	(3,934)
Effect of movements in exchange rates	-	3,018	10,219	151	988	14,376
Balance on December 31, 2024	<u>\$ -</u>	<u>99,756</u>	<u>427,733</u>	<u>8,433</u>	<u>49,549</u>	<u>585,471</u>
Balance on January 1, 2023	\$ -	80,710	372,431	7,302	37,905	498,348
Depreciation for the year	-	8,825	30,506	543	5,608	45,482
Disposal	-	(105)	(5,064)	(231)	(61)	(5,461)
Effect of movements in exchange rates	-	(1,549)	(5,403)	(78)	(509)	(7,539)
Balance on December 31, 2023	<u>\$ -</u>	<u>87,881</u>	<u>392,470</u>	<u>7,536</u>	<u>42,943</u>	<u>530,830</u>
Carrying amounts:						
Balance on December 31, 2024	<u>\$ 256,042</u>	<u>103,780</u>	<u>75,018</u>	<u>2,759</u>	<u>18,920</u>	<u>456,519</u>
Balance on January 1, 2023	<u>\$ 252,305</u>	<u>67,280</u>	<u>106,844</u>	<u>1,398</u>	<u>22,552</u>	<u>450,379</u>
Balance on December 31, 2023	<u>\$ 255,805</u>	<u>107,816</u>	<u>94,108</u>	<u>2,071</u>	<u>20,737</u>	<u>480,537</u>

As of December 31, 2024 and 2023, the property, plant and equipment of the Group had been pledged as collateral for borrowings. Please refer to note 8.

(g) Right-of-use assets

The Group leases many assets including land and buildings. Information about leases for which the Group as a lessee was presented below:

	Land	Buildings and construction	Transportation equipment	Total
Cost:				
Balance at January 1, 2024	\$ 20,735	64,600	5,098	90,433
Additions	51,783	-	-	51,783
Effect of movement in exchange rates	983	685	-	1,668
Balance at December 31, 2024	<u>\$ 73,501</u>	<u>65,285</u>	<u>5,098</u>	<u>143,884</u>
Balance at January 1, 2023	\$ 21,124	64,603	2,733	88,460
Additions	-	-	2,365	2,365
Effect of movement in exchange rates	(389)	(3)	-	(392)
Balance at December 31, 2023	<u>\$ 20,735</u>	<u>64,600</u>	<u>5,098</u>	<u>90,433</u>

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	<u>Land</u>	<u>Buildings and construction</u>	<u>Transportation equipment</u>	<u>Total</u>
Accumulated depreciation losses:				
Balance at January 1, 2024	\$ 2,636	32,129	1,838	36,603
Depreciation for the year	3,076	7,514	1,020	11,610
Effect of movement in exchange rates	107	368	-	475
Balance at December 31, 2024	<u>\$ 5,819</u>	<u>40,011</u>	<u>2,858</u>	<u>48,688</u>
Balance at January 1, 2023	\$ 2,150	24,636	1,094	27,880
Depreciation for the year	535	7,511	744	8,790
Effect of movement in exchange rates	(49)	(18)	-	(67)
Balance at December 31, 2023	<u>\$ 2,636</u>	<u>32,129</u>	<u>1,838</u>	<u>36,603</u>
Carrying amount:				
Balance at December 31, 2024	<u>\$ 67,682</u>	<u>25,274</u>	<u>2,240</u>	<u>95,196</u>
Balance at January 1, 2023	<u>\$ 18,974</u>	<u>39,967</u>	<u>1,639</u>	<u>60,580</u>
Balance at December 31, 2023	<u>\$ 18,099</u>	<u>32,471</u>	<u>3,260</u>	<u>53,830</u>

As of December 31, 2024 and 2023, the right-of-use assets of the Group had been pledged as collateral for borrowings, please refer to note 8. The Group leased factories and offices from related parties, please refer to note 7.

(h) **Intangible assets**

The costs and amortization of the intangible assets of Group in 2024 and 2023 were as follows:

	<u>Computer Software</u>	<u>Goodwill</u>	<u>Total</u>
Costs:			
Balance at January 1, 2024	\$ 17,253	215	17,468
Additions	1,351	-	1,351
Disposals	(957)	-	(957)
Effect of movement in exchange rates	458	15	473
Balance at December 31, 2024	<u>\$ 18,105</u>	<u>230</u>	<u>18,335</u>
Balance at January 1, 2023	\$ 20,462	215	20,677
Additions	667	-	667
Disposals	(3,670)	-	(3,670)
Effect of movement in exchange rates	(206)	-	(206)
Balance at December 31, 2023	<u>\$ 17,253</u>	<u>215</u>	<u>17,468</u>
Amortization Loss:			
Balance at January 1, 2024	\$ 13,698	-	13,698
Amortization for the year	2,129	-	2,129
Disposals	(957)	-	(957)
Effect of movement in exchange rates	403	-	403
Balance at December 31, 2024	<u>\$ 15,273</u>	<u>-</u>	<u>15,273</u>

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	Computer Software	Goodwill	Total
Balance at January 1, 2023	\$ 15,186	-	15,186
Amortization for the year	2,356	-	2,356
Disposals	(3,670)	-	(3,670)
Effect of movement in exchange rates	(174)	-	(174)
Balance at December 31, 2023	<u>\$ 13,698</u>	<u>-</u>	<u>13,698</u>
Carrying value:			
Balance at December 31, 2024	<u>\$ 2,832</u>	<u>230</u>	<u>3,062</u>
Balance at January 1, 2023	<u>\$ 5,276</u>	<u>215</u>	<u>5,491</u>
Balance at December 31, 2023	<u>\$ 3,555</u>	<u>215</u>	<u>3,770</u>

(i) Amortization expense

The following amortizations of intangible assets in 2024 and 2023 are included in the statement of comprehensive income:

	2024	2023
Operating cost	\$ 857	853
Operating expense	1,272	1,503
	<u>\$ 2,129</u>	<u>2,356</u>

(ii) Collateral

As of December 31, 2024 and 2023, the Group has no collateral in respect of intangible assets.

(i) **Other current assets and other non-current assets**

The other current assets and other non-current assets of the Group were as follows:

	December 31, 2024	December 31, 2023
Other current assets:		
Prepaid expense	\$ 2,715	4,561
Overpaid sales tax	5,086	4,744
Prepaid borrowings	341	951
Other current assets - other	6,525	2,438
	<u>\$ 14,667</u>	<u>12,694</u>
Other non-current assets:		
Prepaid for equipment	\$ 2,733	1,985
Prepaid for land	-	8,913
Refundable deposits	1,739	1,715
Other non-current assets-other	140	339
	<u>\$ 4,612</u>	<u>12,952</u>

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(j) Short-term borrowings

The short-term borrowings were summarized as follows:

	December 31, 2024	December 31, 2023
Unsecured bank loans	\$ 30,000	40,000
Secured bank loans	44,780	43,270
Total	\$ 74,780	83,270
Unused short-term lines	\$ 60,000	50,000
Range of interest rates	2.45%~2.55%	2.35%~2.8%

For the collateral for short-term borrowings, please refer to note 8.

(k) Other payables

	December 31, 2024	December 31, 2023
Payables on salaries	\$ 60,559	58,474
Payables on insurance and pension	37,913	34,655
Payables for plant and equipment	4,558	2,316
Others	49,377	56,956
	\$ 152,407	152,401

(l) Other current liabilities

The other current liability were summarized as follows:

	December 31, 2024	December 31, 2023
Temporary receipts	8,571	8,064
Others	976	1,515
	\$ 9,547	9,579

(m) Long-term borrowings

The details of long-terms borrowings were as follows:

	December 31, 2024		
	Rate	Maturity Day	Amount
Unsecured bank loans	2.220%	2028.11~2029.7	\$ 34,667
Secured bank loans	0.83%~2.27%	2028.8~2029.7	155,552
Less: current portion			(16,040)
Government grants			(44)
			\$ 174,135
Unused long-term credit lines			\$ 190,864

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	December 31, 2023		
	Rate	Maturity Day	Amount
Unsecured bank loans	2.095%	2028.11	\$ 16,000
Secured bank loans	0.705%~2.025%	2028.8~2029.7	182,138
Less:current portion			(26,919)
Government grants			(148)
			<u>\$ 171,071</u>
Unused long-term credit lines			<u>\$ 208,354</u>

(i) Government low-interest loans

In the years ended December 31, 2024 and 2023, the consolidated entities recognized the difference between the loan proceeds and the fair value of the preferential low-interest loans granted under the “Plan for Welcoming Overseas Taiwanese Businesspersons to Invest in Taiwan” as government grants. For further details, please refer to note 6(o).

(ii) Collateral for bank loans

Assets of the Group had been pledged as collateral for borrowings, please refer to note 8.

(n) **Lease liabilities**

The carrying amounts of the Group's lease liabilities were as follows:

	December 31, 2024	December 31, 2023
Current	<u>\$ 7,241</u>	<u>8,481</u>
Non-current	<u>\$ 21,685</u>	<u>28,687</u>

For the maturity analysis, please refer to note 6(w). For the Group leased factory and buildings from related party, please refer to note 7.

The amounts recognized in profit or loss was as follows:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Interest on lease liabilities	<u>\$ 615</u>	<u>736</u>
Expenses relating to short-term leases	<u>\$ 392</u>	<u>604</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Total cash outflow for leases	<u>\$ 9,578</u>	<u>9,500</u>

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(i) Land and Building leases

The Group leases land and buildings for its factory and office space. The leases of factory and office space typically run for 3 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Group leases lease with lease terms of one year, these leases are short-term and leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(o) **Deferred income**

	December 31, 2024	December 31, 2023
Government grants	\$ 44	148
Current	\$ 44	103
Non-current	-	45
	\$ 44	148

As of December 31, 2024 and 2023 the Group's government preferential low-interest loans under the "Plan for Welcoming Overseas Taiwanese Businesspersons to Invest in Taiwan" amounted to \$7,623 thousand and \$8,316 thousand, and the fair values there of amounted to \$7,579 thousand and \$8,168 thousand. The differences between the amounts and fair values of the loans, amounting to \$44 thousand and \$148 thousand were considered to be government grants-deferred revenues. These loans were used to purchase equipment and were deferred income. It is recognized based on the useful life of the asset. The Group has received the revenues and believes it can reasonably assure compliance with the additional conditions. As of December 31, 2024 and 2023 the Group's revenues from government grants amounted to \$103 thousand and \$119 thousand which was included in other revenues.

(p) **Employee benefits**

According to law of the People's Republic of China, WKPF contributed pension insurance \$5,493 thousand and \$9,430 thousand for 2024 and 2023, respectively. Provision on insurance pension payable is recognized on other payable and the balance is \$23,555 thousand and \$22,997 thousand on December 31, 2024 and 2023, respectively.

WKPT allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$1,970 thousand and \$2,060 thousand for the years ended December 31, 2024 and 2023, respectively.

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(q) Income taxes

- (i) The subsidiary companies of both our company and the merged company, Honour, are respectively registered and established in the Cayman Islands and Samoa, and are not required to pay income taxes. WKPT local profit-seeking income tax rate is 20%. WKPF is a foreign investment in People's Republic of China, tax is calculated based on "Enterprise Income Tax Law of the People's Republic of China" is 25%. On December 28, 2023, WKPF acquired high-tech enterprise authenticated certificate, which is applicable to the preferential enterprise tax rate of 15% , started from the day of acquisition for three years.

(ii) Income tax expense

The components of income tax in the years 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Current tax expense:		
Current period	\$ 53,037	53,241
Changes in deferred tax expense in prior periods	(6,065)	(6,644)
Additional tax on undistributed earnings	-	25
	<u>46,972</u>	<u>46,622</u>
Deferred tax expense :		
Origination and reversal of temporary differences	(1,555)	584
	<u>\$ 45,417</u>	<u>47,206</u>

No income tax is recognized in equity and other comprehensive income in 2024 and 2023.

Reconciliation of income tax and profit before tax 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Profit before income tax	\$ <u>215,544</u>	<u>250,473</u>
Income tax using the Company's tax rate	47,925	41,130
Others income tax adjustments	3,239	(2,608)
Changes in income tax in prior periods	(6,065)	(6,644)
Changes in deferred tax in prior periods	12	(141)
Income tax for repatriation of overseas earnings	-	14,094
Changes in unrecognized temporary differences	306	1,350
Additional tax on undistributed earnings	-	25
	<u>\$ 45,417</u>	<u>47,206</u>

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(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

	December 31, 2024	December 31, 2023
Provision of insurance and pension for WKPF	\$ <u>5,609</u>	<u>5,291</u>

2) Recognized deferred tax assets and liabilities

Deferred Tax Assets:

	Exceed of allowance of bad debt expense	Allowance of inventory valuation loss	The carryforward of unused tax losses	Others	Total
Balance at January 1, 2024	\$ 99	558	2,741	357	3,755
Recognized profit or loss	13	-	1,628	(86)	1,555
Balance at December 31, 2024	\$ <u>112</u>	<u>558</u>	<u>4,369</u>	<u>271</u>	<u>5,310</u>
Balance at January 1, 2023	\$ 75	617	3,264	383	4,339
Recognized profit or loss	24	(59)	(523)	(26)	(584)
Balance at December 31, 2023	\$ <u>99</u>	<u>558</u>	<u>2,741</u>	<u>357</u>	<u>3,755</u>

(iv) Assessment of tax

The Company and Honour do not need to pay tax or declare income tax due to local law in the country registered.

WKPF's tax returns for the years through 2023 were assessed by the local tax administration; WKPT's tax returns for the years through 2022 were assessed by the Taipei National Tax Administration.

(r) **Capital and other equity**

As of December 31, 2024 and 2023, the Company's authorized ordinary shares each amounted to \$600,000 thousand with a par value of \$10 per share and a total of 60,000 thousand shares. All shares are ordinary shares. As of that date, 33,899 thousand shares were issued. All issued shares were paid up upon issuance.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(i) Capital Surplus

The balance of capital surplus was as following:

	December 31, 2024	December 31, 2023
Additional paid in capital	\$ 237,942	237,942
Difference arising from subsidiary's share price and its carrying value	96,423	96,423
Recognition of changes in equity of subsidiaries	(11)	(11)
	<u>\$ 334,354</u>	<u>334,354</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(ii) Retained earnings

The Company's article of incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits (including deficits and undistributed retained earnings for prior years, if any), pay income taxes, 10% is to be appropriated as legal reserve until the accumulated legal reserve equals the Company's paid-in capital. In addition, a special reserve, in accordance with applicable laws and regulations, shall also be set aside. Then, any remaining profit, together with any undistributed retained earnings, shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. The cash dividends shall not be more than 10% of total dividends.

The Company is now in growing phase, dividend distribution should consider capital expenditure, plan for future expansion, financial plan or other plan for the need of sustainable growth. Dividend and can be paid in cash or(and) stock to stockholders.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

2) Special reserve

In accordance the FSC, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2023 and 2022 was decided by the resolution adopted, at the general meeting of shareholders held on 21 June 2024 and 16 June 2023 respectively. The relevant dividend distributions to shareholders were as follows:

	2023		2022	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to common shareholders:				
Cash	\$ 3.6	<u>122,036</u>	2.5	<u>84,748</u>

On 14 March, 2025, the Company's Board of Directors resolved to appropriate the 2024 earnings. These earnings were appropriated as follows:

	2024	
	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to common shareholders:		
Cash	\$ 3.2	<u>108,477</u>

(iv) Other equity interests (net-of-taxes)

	<u>Exchange differences on translation of foreign financial statements</u>
Balance at January 1, 2024	\$ (29,418)
Exchange differences on foreign operations	<u>37,235</u>
Balance at December 31, 2024	<u><u>\$ 7,817</u></u>
Balance at January 1, 2023	\$ (15,425)
Exchange differences on foreign operations	<u>(13,993)</u>
Balance at December 31, 2023	<u><u>\$ (29,418)</u></u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(s) **Earnings per share**

The calculation of basic earnings per share and diluted earnings per share as follows:

	<u>2024</u>	<u>2023</u>
Basic earnings per share		
Profit of the Company for the year	\$ <u>170,194</u>	<u>203,306</u>
Weighted-average number of outstanding ordinary shares (in thousands)	<u>33,899</u>	<u>33,899</u>
	\$ <u>5.02</u>	<u>6.00</u>
Diluted earnings per share		
Profit of the Company for the year	\$ <u>170,194</u>	<u>203,306</u>
Weighted-average number of outstanding ordinary shares (in thousands)	33,899	33,899
Effect of employee share bonus	<u>88</u>	<u>88</u>
Weightier-average number of ordinary shares (in thousands) (after adjustment of potential diluted ordinary shares)	<u>33,987</u>	<u>339,877</u>
	\$ <u>5.01</u>	<u>5.98</u>

(t) **Revenue from contracts with customers**

(i) Disaggregation of revenue

	<u>2024</u>	<u>2023</u>
<u>Primary geographical markets</u>		
America	\$ 415,650	461,693
Asia	499,707	543,976
Other countries	<u>167,522</u>	<u>191,722</u>
	\$ <u>1,082,879</u>	<u>1,197,391</u>
<u>Major products</u>		
Automotive parts	\$ 860,703	945,027
Green energy parts	15,904	12,460
Others	<u>206,272</u>	<u>239,904</u>
	\$ <u>1,082,879</u>	<u>1,197,391</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Contract balance

	December 31, 2024	December 31, 2023	January 1, 2023
Contract liability	\$ <u>380</u>	<u>1,018</u>	<u>6,166</u>

The amount of revenue recognized for the year ended December 31, 2024 and 2023 that was included in the contract liability balance at the beginning of the period were \$1,008 thousand and \$5,780 thousand respectively.

(u) **Employee compensation and directors' remuneration**

In accordance with the articles of incorporation, the Company should contribute 1% to 8% of the profit as employee compensation and less than 5% as directors' and supervisors' remuneration when there is profit for the year. The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by of the Board of Directors with over two-third attendance and over half of the agreements. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit before the distribution of the compensation and remuneration. The distribution plan proposed by the Board of Directors should be submitted to the stockholders' meeting for approval. Except from regulations for listing companies, directors' and supervisors' remuneration should not grant by issuing stocks. "Profit" as mentioned above, is income before income tax and distribution of directors' and supervisors' remuneration.

For the years ended December 31, 2024 and 2023, the Company estimated its employee remuneration amounting to \$3,808 thousand and \$4,529 thousand and directors' remuneration amounting to \$3,808 thousand and \$4,529 thousand respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of remuneration to employees and directors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2024 and 2023. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2024 and 2023. Related information would be available at the Market Observation Post System website.

(v) **Non-operating income and expenses**

(i) Interest income

The details of interests income for the years 2024 and 2023 were as follows:

	2024	2023
Interests income — bank deposits	\$ <u>25,494</u>	<u>20,468</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Other income

The details of other income for the years 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Rent income	\$ 1,227	173
Government grants income	1,920	1,712
Other income—other	1,181	1,687
	<u>\$ 4,328</u>	<u>3,572</u>

(iii) Other gains and losses

The details of other gains and losses for the years 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Foreign exchange gains	\$ 13,708	11,515
Gains on disposals of property, plant and equipment	-	62
	<u>\$ 13,708</u>	<u>11,577</u>

(iv) Finance costs

The details of finance costs for the years 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Interest expense—bank loan	\$ (6,001)	(4,994)
Interest expense—lease liabilities	(615)	(736)
	<u>\$ (6,616)</u>	<u>(5,730)</u>

(w) **Financial Instruments**

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

The Group are concentrated in medical instruments market. To minimize credit risk, the Group periodically evaluates their financial positions and requests collateral if deemed necessary. It also periodically assesses the recoverability of the trade receivable and recognizes an allowance for impairment. The impairment loss is within management's expectation. As of December 31, 2024 and 2023, 57% and 61%, respectively, of accounts receivable were derived from several major customers. Thus, the credit risk is significantly centralized.

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World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

3) Receivables securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(c). Other financial assets at amortized cost includes other receivables and time deposits.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(g).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, without the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1-2 year</u>	<u>2-5 year</u>	<u>Over 5 year</u>
December 31, 2024						
Non-derivative financial liabilities						
Secured bank loans	\$ 200,288	213,654	56,874	4,843	151,937	-
Unsecured bank loans	64,667	66,422	39,255	9,229	17,938	-
Accounts and notes payable (including related parties)	161,378	161,378	161,378	-	-	-
Other payables (including related parties)	158,536	158,536	158,536	-	-	-
Lease liabilities	28,926	30,048	7,714	7,145	15,189	-
	<u><u>\$ 613,795</u></u>	<u><u>630,038</u></u>	<u><u>423,757</u></u>	<u><u>21,217</u></u>	<u><u>185,064</u></u>	<u><u>-</u></u>
December 31, 2023						
Non-derivative financial liabilities						
Secured bank loans	\$ 225,260	243,685	74,401	4,447	13,326	151,511
Unsecured bank loans	56,000	57,219	40,923	4,283	12,013	-
Accounts and notes payable (including related parties)	170,981	170,981	170,981	-	-	-
Other payables (including related parties)	153,780	153,780	153,780	-	-	-
Lease liabilities	37,168	38,904	9,096	7,656	21,054	1,098
	<u><u>\$ 643,189</u></u>	<u><u>664,569</u></u>	<u><u>449,181</u></u>	<u><u>16,386</u></u>	<u><u>46,393</u></u>	<u><u>152,609</u></u>

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

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Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2024			December 31, 2023		
	Foreign currency	Exchange Rates	New Taiwan Dollars	Foreign currency	Exchange Rates	Foreign currency
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD	\$ 12,658	32.785	415,009	13,717	30.71	421,180
JPY	125,872	0.2099	26,421	132,397	0.2172	28,757
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD	454	32.785	14,880	290	30.71	8,904

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, and accounts and other payables that are denominated in foreign currency. A strengthening (weakening) 0.5% of the TWD against the USD and JPY as of December 31, 2024 and 2023 would have increased (decreased) the net profit before tax by \$2,133 thousand and \$2,205 thousand respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years 2024 and 2023, the foreign exchange gain (including realized and unrealized portions) amounted to \$13,708 thousand and \$11,515 thousand respectively. The analysis is performed on the same basis for both periods.

(iv) Interest rate analysis

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of liabilities outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate which increases or decreases by 0.5% when reporting to the internal management, which also represents the Group management's assessment of the reasonably possible interest rate change.

If the interest rate increases/decreases by 0.5%, with all other variable factors remaining constant, the Group's net income would have increased/decreased by \$2,022 thousand and \$1,361 thousand for the years ended December 31, 2024 and 2023, respectively. This is mainly due to the Group's borrowings in time deposits and variable rates bills.

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Notes to the Consolidated Financial Statements

(v) Fair value of financial instruments

1) Categories and fair value of financial instruments

December 31, 2024					
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 593,157	-	-	-	-
Accounts receivable (including related parties)	187,681	-	-	-	-
Certificate of time deposit	156,731	-	-	-	-
Refundable deposits	1,739	-	-	-	-
Total	\$ 939,308	-	-	-	-
Financial liabilities at amortized cost					
Short-term borrowings	\$ 74,780	-	-	-	-
Accounts payable (including related parties)	319,914	-	-	-	-
Long-term borrowings (including current portion)	190,175	-	-	-	-
Lease liabilities-current and non-current	28,926	-	-	-	-
Total	\$ 613,795	-	-	-	-
December 31, 2023					
		Fair Value			
	Book Value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 550,466	-	-	-	-
Accounts receivable (including related parties)	219,635	-	-	-	-
Certificate of time deposit	151,446	-	-	-	-
Refundable deposits	1,715	-	-	-	-
Total	\$ 923,262	-	-	-	-
Financial liabilities at amortized cost					
Short-term borrowings	\$ 83,270	-	-	-	-
Accounts payable (including related parties)	324,761	-	-	-	-
Long-term borrowings (including current portion)	197,990	-	-	-	-
Lease liabilities-current and non-current	37,168	-	-	-	-
Total	\$ 643,189	-	-	-	-

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

2) Valuation techniques of financial instruments not measured at fair value

The Group estimates its financial instruments, that are not measured at fair value, by methods and assumption as follows:

If there is quoted price generated by transactions for financial liabilities at amortized cost, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Transfer between Level 1 and Level 2

There were no transfers from one level to another level in 2024 and 2023.

(x) Financial risk management

(i) Overview

The Group is exposed to the following risks from its financial instruments:

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

In this note expressed the information on risk exposure and objectives, policies and procedures of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The Group's finance management department provides business services for the overall internal department. It sets the objectives, policies and processes for managing the risk and the methods used to measure the risk arising from both the domestic and international financial market operations. The Group has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and other receivables.

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World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

1) Accounts receivable and other receivables

The Group established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk.

The Group established a credit evaluation policy. In addition to the publicly available financial information to analyze the new customers and give them credit ratings, the Group also assess the financial status and actual collection situation of the current customers to monitor credit risk and the counterparty's credit ratings continuously. The credit limits for each counterparty are approved and reviewed annually by the Group.

The Group did not have any collateral or other credit enhancement to avoid credit risk of the financial assets.

2) Investments

The exposure to credit risk for bank deposits and fixed income investments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organizations and financial institutions with good credit rating. The Group does not expect any of the counterparties mentioned above to fail in meeting their obligations; hence, there is no significant credit risk arising from these counterparties.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank is an important source of liquidity for the Group. As of December 31, 2024 and 2023, the Group's unused credit lines were amounted to \$250,864 thousand and \$258,354 thousand respectively.

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily USD、CNY and NTD. The currencies used in these transactions are the USD, CNY, NTD, JPY, and EUR.

Loan interest is denominated in the currency of the loan. In general, the currency of the borrowing is the same as the currency of the cash flow generated by each operating location of the Group, which is mainly NTD, CNY, and USD. In this case, economic hedging is without need to sign derivatives, so hedging accounting is not adopted.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

2) Interest rate risk

The Group adopts a policy of ensuring its exposure to changes in interest rates on borrowings is on a combination of fixed-rate and float-rate basis. This is achieved by using interest rate swaps as hedges of variability in cash flows attributable to movements in interest rates. The Group evaluates its hedge activity in a fix period, in order to keep the interest rate preference unchanged and ensure the most cost efficient hedge strategy is used.

(y) **Capital management**

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Group and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity plus net debt.

As of December 31, 2024, the Group's capital management strategy is consistent with the prior year as of December 31, 2023. The Group's debt-to-equity ratio at the end of the reporting period as of December 31, 2024 and 2023, is as follows:

	December 31, 2024	December 31, 2023
Total liabilities	\$ 656,666	689,082
Less: Cash and cash equivalents	<u>593,157</u>	<u>550,466</u>
Net debt	63,509	138,616
Total equity	<u>1,147,914</u>	<u>1,062,467</u>
Adjusted equity	<u>\$ 1,211,423</u>	<u>1,201,083</u>
Debt-to-equity ratio	<u>5.24%</u>	<u>11.54%</u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

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

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2024 and 2023, the acquisition of right-of-use assets through lease, please refer to note 6(g).

Reconciliation of liabilities arising from financing activities were as follows:

			<u>Non-cash changes</u>		
	<u>January 1, 2024</u>	<u>Cash flows</u>	<u>Acquisition</u>	<u>Foreign exchange movement</u>	<u>December 31, 2024</u>
Long-term borrowings (including deferred revenues and current portion)	\$ 198,138	(7,919)	-	-	190,219
Short-term borrowings	83,270	(10,000)	-	1,510	74,780
Lease liability	37,168	(8,571)	-	329	28,926
Total liabilities from financing activities	<u>\$ 318,576</u>	<u>(26,490)</u>	<u>-</u>	<u>1,839</u>	<u>293,925</u>

			<u>Non-cash changes</u>		
	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>Acquisition</u>	<u>Foreign exchange movement</u>	<u>December 31, 2023</u>
Long-term borrowings (including deferred revenues and current portion)	\$ 207,916	(9,778)	-	-	198,138
Short-term borrowings	50,000	33,933	-	(663)	83,270
Lease liability	42,948	(8,160)	2,365	15	37,168
Total liabilities from financing activities	<u>\$ 300,864</u>	<u>15,995</u>	<u>2,365</u>	<u>(648)</u>	<u>318,576</u>

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
World Known MFG Co., Ltd. (WKP Taiwan)	Same president with the Company
Ancient Enterprise Corp. (Ancient)	Same president with the Company

(b) Significant related-party transactions

(i) Sales

The amounts of significant sales by the Group to its related parties were as follows:

	<u>2024</u>	<u>2023</u>
Other related parties - WKP Taiwan	<u>\$ 57</u>	<u>184</u>

(Continued)

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The sales price of the Group to its related parties is not materially different from those to other sales. The collection terms for sales to related parties were month-end 30 to 120 days, which were not materially different from those of the third parties.

(ii) Purchases

The amounts of significant purchases and payables by the Group from its related parties were as follows:

	2024	2023
Other related parties - WKP Taiwan	\$ <u><u>67,443</u></u>	<u><u>69,038</u></u>

The purchases price of the Group to its related parties is not materially different from those to other purchases. The payment terms for purchases to related parties were month-end 30 to 90 days, which were not materially different from those given by other vendors.

(iii) Receivables from related parties

The receivables from related parties were as follows:

Account	Relationship	December 31, 2024	December 31, 2023
Accounts receivable	Other related parties-WKP Taiwan	\$ <u><u>7</u></u>	<u><u>20</u></u>
Other receivables	Other related parties-WKP Taiwan	\$ <u><u>79</u></u>	<u><u>223</u></u>

(iv) Payables to related parties

The payable to related parties were as follows:

Account	Relationship	December 31, 2024	December 31, 2023
Accounts payable	Other related parties-WKP Taiwan	\$ <u><u>23,786</u></u>	<u><u>15,416</u></u>
Other payables	Other related parties-WKP Taiwan	\$ 6,003	1,253
	Other related parties-Ancient	126	126
		\$ <u><u>6,129</u></u>	<u><u>1,379</u></u>

(v) Leases

The Group leased factory and office from related parties, and recognized lease liabilities and interest expense as follows:

a) Leases liabilities

Relationship	December 31, 2024	December 31, 2023
Other related parties-WKP Taiwan	\$ 32,443	38,448
Other related parties-Ancient	1,428	2,834
	\$ <u><u>33,871</u></u>	<u><u>41,282</u></u>

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
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b) Interest expense

Relationship	2024	2023
Other related parties-WKP Taiwan	\$ 659	769
Other related parties-Ancient	34	55
	\$ 693	824

In March and May 2019, the Group leased factory and office from other related party-WKP Taiwan, respectively. Ten-year and nine-year ten-month lease contract was signed respectively, in which the rental fee is determined based on nearby rental rates.

The Group leased factory from other related party-Ancient in January 2023, respectively. Three-year contract was signed respectively, in which the rental fee is determined based on nearby rental rates.

(c) Key management personnel compensation

Key management personnel compensation comprised the following:

	2024	2023
Short-term employee benefits	\$ 20,197	19,609
Post-employment benefits	236	229
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	\$ 20,433	19,838

(8) Pledged assets:

The carrying values of pledged assets were as follow:

Pledged assets	Object	December 31, 2024	December 31, 2023
Land	Long-term borrowings	\$ 252,305	252,305
Right-of-use assets - land	Long-term and short-term borrowings	4,887	4,872
Property, plant and equipment	Long-term borrowings	13,206	15,449
		\$ 270,398	272,626

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

(12) Other:

The followings are the summary statement of employee benefits, depreciation, depletion, and amortization expenses by function in the current period:

By function By item	2024			2023		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	86,702	67,436	154,138	87,890	69,624	157,514
Labor and health insurance	5,730	2,177	7,907	5,599	3,115	8,714
Pension	4,321	3,142	7,463	3,660	7,830	11,490
Others	2,316	2,065	4,381	2,256	1,831	4,087
Depreciation	42,237	13,572	55,809	43,802	10,470	54,272
Amortization	857	1,272	2,129	853	1,503	2,356

(Continued)

WORLD KNOWN MFG (CAYMAN) LIMITED AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions, required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of December 31, 2024 (excluding those investments in subsidiaries, associates and joint ventures):None
- (iv) Individual securities acquired, or disposed, with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None
- (ix) Trading in derivative instruments: None
- (x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship (Note2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	WKPT	WKPF	3	Purchases	9,203	Price is calculated according to agreements between both parties	0.85%
1	WKPT	WKPF	3	Accounts payable	10,009	Payment within the agreed period by both parties	0.55%

Note1 : The number filled in as follows:

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

Note2 : Transactions labeled as follows:

- 1) 1 represents the transactions form parent company to subsidiaries.
- 2) 2 represents the transactions from subsidiaries to parent company.
- 3) 3 represents the transactions between subsidiaries.

(Continued)

WORLD KNOWN MFG (CAYMAN) LIMITED AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the year 2024 (excluding information on investees in Mainland China):

(In thousands of shares /
In thousands of New Taiwan Dollars or Foreign currency)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2024			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Honour	Samoa	Investment	USD 11,521 (NTD363,510)	USD 11,521 (NTD363,510)	6,521	100 %	USD 27,717 (NTD908,690)	USD 6,623 (NTD212,762)	USD 6,623 (NTD212,762)	Note 1
The Company	WKPT	Taiwan	Manufacture of precision casting processing	160,000	160,000	16,000	100 %	NTD 160,239	(NTD 6,617)	(NTD 6,617)	Note 1
The Company	WKP USA	USA	General trading business	USD 1,890 (NTD60,188)	USD 1,890 (NTD60,188)	1,890	96.92 %	USD 1,790 (NTD58,673)	(USD 68) (NTD2,189)	(USD 66) (NTD2,122)	Note 1

Note1 : Has been write off when preparing consolidated financial statements.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars or foreign currencies)

Name of investee	Main businesses and products	Total amount of capital surplus	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2024	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow					
WKPF	Manufacture of precision casting processing	USD 8,500 (NTD278,673)	Note 1	-	-	-	USD 6,598 (NTD211,954)	100%	USD 6,598 (NTD211,954)	USD 27,664 (NTD906,979)	-

Note1 : Investments are made through setting up a company in the third country then invest to Mainland China.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
Note 1	Note 1	Note 1

Note 1: The Company is an offshore company, which is not applicable of the limits in "Regulations Governing the Examination of investment or Technical Cooperation in Mainland China".

(iii) Significant transactions:

The significant inter-company transactions in year 2024 with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in the “Information on significant transactions” and “Business relationships and significant intercompany transactions”.

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
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(d) Major shareholders

Shareholder's Name	Shareholding	Shares	Precentage
Germander Group Limited		4,230,000	12.47 %
Lavender Hill Limited		2,730,000	8.05 %
Lu, Huang-Fu		2,402,000	7.08 %

(14) Segment information

(a) Information about reportable segments and their measurement and reconciliations.

The Group uses internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit after taxation. Gain or loss of reportable segments include depreciation and amortization, tax expense (profit), non-recurring profit or loss and other significant non-cash items. The reportable amount is similar to that in the report used by chief operating decision maker. The operating segment accounting policies are similar to those described in note 4. The Group's information of segment is similar to financial report, please refer to balance sheet and statements of comprehensive income.

(b) Production information

Revenue from the external customers of the Group was as follows note 4 (t).

(Continued)

World Known MFG (Cayman) Limited and Subsidiaries
Notes to the Consolidated Financial Statements

(c) Geographic information

In presenting information on the basis of geography, as follow note 4(t), the segment non-current assets are based on the geographical location of the assets.

Revenue from the external customers:

<u>Grographical information</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Non current assets:		
China	\$ 175,906	151,030
Other countries	<u>381,744</u>	<u>398,344</u>
	<u>\$ 557,650</u>	<u>549,374</u>

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, and other assets, excluding financial instruments and deferred tax assets.

(d) Major customers

<u>Customer</u>	<u>2024 Amount</u>	<u>2023 Amount</u>
From Precision Casting processing department— Customer A	\$ 384,030	403,643
From Precision Casting processing department— Customer B	<u>37,967</u>	<u>121,751</u>
	<u>\$ 421,997</u>	<u>525,394</u>