

Kinik Company

**Parent Company Only Financial Statements for the
Years Ended December 31, 2025 and 2024 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kinik Company

Opinion

We have audited the accompanying parent company only financial statements of Kinik Company (the "Company"), which comprise the parent company only balance sheets as of December 31, 2025 and 2024, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including material accounting policy information (collectively referred to as the "parent company only financial statements").

In our opinion, based on our audits and the report of other auditors (please refer to the other matter paragraph), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2025 and 2024, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion based on our audits and the report of other auditors.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2025 is stated as follows:

Occurrence of Revenue

Refer to Note 4 to the accompanying financial statements for disclosures regarding the accounting policies and detailed information on revenue.

The Company's revenue mainly comes from the production and sale of grinding wheels, semiconductor diamond disks and recycled wafer products. Specific sales revenue is generated in both the domestic and foreign markets, and this specific sales revenue is material to the parent company only financial statements, which is one of the evaluation criteria for operating performance as well. The main significant risk to the Company is the occurrence of sales revenue. Therefore, we identified occurrence of revenue as a key audit matter.

In response to this key audit matter, we performed the following audit procedures:

1. We obtained an understanding of and evaluated the appropriateness of the accounting policies on revenue recognition.
2. We obtained an understanding of and evaluated the effectiveness of the internal control on revenue recognition and the occurrence of sales.
3. We selected samples and tested specific sales transactions of the current year and verified the relevant internal and external documents to substantiate the shipments. We also checked shipping and delivery receipts and subsequent collections for any major abnormalities to ensure the occurrence of sales transactions.

Other Matter

We did not audit the financial statements of KINIK-THAI CO., LTD., an investee of the Company which was accounted for using the equity method for the year ended December 31, 2024; however, such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for KINIK-THAI CO., LTD., is based solely on the reports of other auditors. As of December 31, 2024, the aforementioned investment accounted for using the equity method were NT\$256,954 thousand, representing 2% of the Company's total assets. For the year ended December 31, 2024, the comprehensive income of the investee was NT\$42,784 thousand, representing 4% of the Company's comprehensive income.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2025 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 audits resulting in this independent auditors' report are Chien-Wei Chen and Ming-Hsien Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2026

Notice to Readers

The accompanying parent company only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with 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 parent company only financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying parent company only financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.

KINIK COMPANY

PARENT COMPANY ONLY BALANCE SHEETS DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

ASSETS	2025		2024	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 1,086,110	9	\$ 1,694,966	16
Financial assets at fair value through profit or loss - current (Note 7)	5,197	-	-	-
Notes receivable (Note 9)	33,833	-	43,264	1
Trade receivables (Notes 9 and 27)	1,085,523	9	987,277	9
Other receivables (Note 27)	256,665	2	8,493	-
Inventories (Note 10)	1,963,708	17	1,859,016	18
Prepayments	15,252	-	15,152	-
Other current assets	6,048	-	7,998	-
Total current assets	4,452,336	37	4,616,166	44
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	366,241	3	192,471	2
Financial assets at fair value through other comprehensive income - non-current (Note 8)	660,899	6	609,773	6
Investments accounted for using the equity method (Note 11)	1,249,192	10	366,451	3
Property, plant and equipment (Note 12)	4,082,481	34	4,011,527	38
Right-of-use assets (Note 13)	32,948	-	38,975	-
Investment property (Note 14)	377,900	3	385,266	4
Deferred tax assets (Note 22)	28,415	-	31,416	-
Prepayment for equipment	715,984	6	237,101	2
Refundable deposit	10,007	-	9,843	-
Net defined benefit assets - non-current (Note 18)	87,354	1	80,476	1
Other non-current assets	21,452	-	20,271	-
Total non-current assets	7,632,873	63	5,983,570	56
TOTAL	\$ 12,085,209	100	\$ 10,599,736	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 250,000	2	\$ 50,000	1
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	3,298	-
Notes payable	46	-	7	-
Trade payables (Note 27)	406,277	4	384,260	4
Other payables (Notes 17 and 27)	935,278	8	758,401	7
Current tax liabilities	187,636	2	149,264	1
Lease liabilities - current (Notes 13 and 27)	4,636	-	7,533	-
Current portion of long-term borrowings (Note 15)	52,500	-	-	-
Other current liabilities	56,049	-	16,747	-
Total current liabilities	1,892,422	16	1,369,510	13
NON-CURRENT LIABILITIES				
Bonds payable (Note 16)	928,260	8	908,972	9
Long-term borrowings (Note 15)	1,007,500	8	1,060,000	10
Deferred tax liabilities (Note 22)	64,431	1	64,884	1
Lease liabilities - non-current (Notes 13 and 27)	29,790	-	32,820	-
Deposit received	1,426	-	2,325	-
Other non-current liabilities (Note 19)	16,770	-	27,179	-
Total non-current liabilities	2,048,177	17	2,096,180	20
Total liabilities	3,940,599	33	3,465,690	33
EQUITY (Note 20)				
Ordinary shares	1,472,919	12	1,459,504	14
Capital surplus	1,688,223	14	1,636,863	15
Retained earnings				
Legal reserve	1,260,213	10	1,152,058	11
Special reserve	15,582	-	14,983	-
Unappropriated earnings	3,740,921	31	2,886,220	27
Other equity interests				
Exchange differences on translation of the financial statements of foreign operations	(22,164)	-	18,448	-
Unrealized gain - financial instrument at FVTOCI	(11,084)	-	(34,030)	-
Total equity	8,144,610	67	7,134,046	67
TOTAL	\$ 12,085,209	100	\$ 10,599,736	100

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2026)

KINIK COMPANY

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024	
	Amount	%	Amount	%
OPERATING REVENUE (Note 27)	\$ 7,169,428	100	\$ 6,606,247	100
OPERATING COSTS (Notes 10, 21 and 27)	<u>(4,738,149)</u>	<u>(66)</u>	<u>(4,535,502)</u>	<u>(69)</u>
GROSS PROFIT	2,431,279	34	2,070,745	31
REALIZED GAIN ON THE TRANSACTIONS	974	-	1,533	-
UNREALIZED GAIN ON THE TRANSACTIONS	<u>(1,207)</u>	<u>-</u>	<u>(974)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,431,046</u>	<u>34</u>	<u>2,071,304</u>	<u>31</u>
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	(497,529)	(7)	(481,087)	(7)
General and administrative expenses	(383,896)	(5)	(309,935)	(5)
Research and development expenses	(191,101)	(3)	(164,778)	(2)
Expected credit gain/(loss)	<u>210</u>	<u>-</u>	<u>(1,821)</u>	<u>-</u>
Total operating expenses	<u>(1,072,316)</u>	<u>(15)</u>	<u>(957,621)</u>	<u>(14)</u>
PROFIT FROM OPERATIONS	<u>1,358,730</u>	<u>19</u>	<u>1,113,683</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES (Notes 21 and 27)				
Interest income	53,187	1	58,958	1
Other income	54,919	1	55,213	1
Other gains and losses	258,280	4	73,650	1
Finance costs	(46,776)	(1)	(43,836)	(1)
Share of profit of subsidiaries and associates	<u>(60,333)</u>	<u>(1)</u>	<u>5,899</u>	<u>-</u>
Total non-operating income and expenses	<u>259,277</u>	<u>4</u>	<u>149,884</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,618,007	23	1,263,567	19
INCOME TAX EXPENSE (Note 22)	<u>(257,787)</u>	<u>(4)</u>	<u>(228,564)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>1,360,220</u>	<u>19</u>	<u>1,035,003</u>	<u>15</u>

(Continued)

KINIK COMPANY

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	\$ (3,638)	-	\$ 55,384	1
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	1,824	-	13,289	-
Share of the other comprehensive income of subsidiaries and associates accounted for using the equity method	6,366	-	2,243	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	<u>728</u>	<u>-</u>	<u>(11,077)</u>	<u>-</u>
	<u>5,280</u>	<u>-</u>	<u>59,839</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	(40,612)	-	18,898	-
Unrealized gain/(loss) on investments in debt instruments at fair value through other comprehensive income	<u>15,220</u>	<u>-</u>	<u>(32,786)</u>	<u>-</u>
	<u>(25,392)</u>	<u>-</u>	<u>(13,888)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(20,112)</u>	<u>-</u>	<u>45,951</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,340,108</u>	<u>19</u>	<u>\$ 1,080,954</u>	<u>16</u>
EARNINGS PER SHARE (Note 23)				
From continuing operations				
Basic	<u>\$ 9.28</u>		<u>\$ 7.10</u>	
Diluted	<u>\$ 9.10</u>		<u>\$ 6.90</u>	

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2026)

(Concluded)

KINIK COMPANY

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity Interests		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2024	\$ 1,449,435	\$ 1,399,657	\$ 1,065,919	\$ 14,449	\$ 2,253,891	\$ (450)	\$ (14,533)	\$ 6,168,368
Appropriation of the 2023 earnings								
Legal reserve	-	-	86,139	-	(86,139)	-	-	-
Special reserve	-	-	-	534	(534)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(362,551)	-	-	(362,551)
Equity component of convertible bonds issued by the Company	-	274,390	-	-	-	-	-	274,390
Changes in capital surplus from investments in associates accounted for using the equity method	-	(154)	-	-	-	-	-	(154)
Issuance of cash dividends from capital surplus	-	(217,531)	-	-	-	-	-	(217,531)
Exercised disgorgement	-	34	-	-	-	-	-	34
Conversion of convertible corporate bonds	17	435	-	-	-	-	-	452
Share-based payment	10,052	180,032	-	-	-	-	-	190,084
Net profit for the year ended December 31, 2024	-	-	-	-	1,035,003	-	-	1,035,003
Other comprehensive income/(loss) for the year ended December 31, 2024, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,550</u>	<u>18,898</u>	<u>(19,497)</u>	<u>45,951</u>
BALANCE AT DECEMBER 31, 2024	1,459,504	1,636,863	1,152,058	14,983	2,886,220	18,448	(34,030)	7,134,046
Appropriation of the 2024 earnings								
Legal reserve	-	-	108,155	-	(108,155)	-	-	-
Special reserve	-	-	-	599	(599)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(394,319)	-	-	(394,319)
Changes in capital surplus from investments in associates accounted for using the equity method	-	(28,641)	-	-	-	-	-	(28,641)
Issuance of cash dividends from capital surplus	-	(189,857)	-	-	-	-	-	(189,857)
Conversion of convertible corporate bonds	4	88	-	-	-	-	-	92
Share-based payment	13,411	269,770	-	-	-	-	-	283,181
Net profit for the year ended December 31, 2025	-	-	-	-	1,360,220	-	-	1,360,220
Other comprehensive income/(loss) for the year ended December 31, 2025, net of income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,446)</u>	<u>(40,612)</u>	<u>22,946</u>	<u>(20,112)</u>
BALANCE AT DECEMBER 31, 2025	<u>\$ 1,472,919</u>	<u>\$ 1,688,223</u>	<u>\$ 1,260,213</u>	<u>\$ 15,582</u>	<u>\$ 3,740,921</u>	<u>\$ (22,164)</u>	<u>\$ (11,084)</u>	<u>\$ 8,144,610</u>

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2026)

KINIK COMPANY

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,618,007	\$ 1,263,567
Adjustments for:		
Depreciation expense	558,156	552,844
Amortization expense	8,546	6,367
Expected credit loss (reversed)/recognized on trade receivables	(210)	1,821
Net gain on fair value changes of financial assets at fair value through profit or loss	(44,989)	(9,370)
Finance costs	46,776	43,836
Interest income	(53,187)	(58,958)
Dividend income	(8,400)	(4,240)
Compensation costs of employee share options	120,968	76,447
Share of loss/(profit) of subsidiaries and associate	60,333	(5,899)
Gain on disposal of property, plant and equipment	(5,127)	(1,178)
Gain on disposal of equity-method investments	(26,734)	-
Loss on inventory write-downs and retirement	52,148	52,441
Unrealized gain on transactions with subsidiaries	1,207	974
Realized gain on transactions with subsidiaries	(974)	(1,533)
Unrealized net loss/(gain) on foreign currency exchange	37,715	(49,428)
Other	(188,182)	21,807
Changes in operating assets and liabilities		
Notes receivable	9,431	29,973
Trade receivables	(96,629)	(91,490)
Other receivables	(289)	125
Inventories	(156,840)	(143,775)
Prepayments	(100)	16,945
Other current assets	1,950	(3,098)
Notes payable	39	7
Trade payables	21,467	8,882
Other payables	79,943	42,749
Other current liabilities	39,302	(6,503)
Net defined benefit plans	(10,516)	(6,618)
Other non-current liabilities	(10,409)	1,254
Cash generated from operations	2,053,402	1,737,949
Interest received	49,845	58,511
Dividend received	10,402	57,715
Interest paid	(27,387)	(34,923)
Income tax paid	(216,139)	(201,264)
Net cash generated from operating activities	1,870,123	1,617,988
		(Continued)

KINIK COMPANY

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ (56,000)	\$ (65,054)
Purchase of financial assets at fair value through profit or loss	(124,187)	(70,343)
Proceeds from sale of financial assets at fair value through profit or loss	-	14,861
Acquisition of investments accounted for using the equity method	(808,918)	-
Payments for property, plant and equipment	(998,560)	(323,143)
Proceeds from disposal of property, plant and equipment	8,344	1,644
Increase in refundable deposits	(164)	-
Decrease in refundable deposits	-	201
Increase in other receivables - related parties	(257,755)	-
Increase in other non-current assets	<u>(9,727)</u>	<u>(1,764)</u>
Net cash used in investing activities	<u>(2,246,967)</u>	<u>(443,598)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	200,000	-
Repayments of short-term borrowings	-	(905,000)
Proceeds from bonds payable	-	1,178,509
Proceeds from long-term borrowings	-	1,060,000
Repayment of long-term borrowings	-	(200,000)
Repayments of long-term bills payable	-	(800,000)
Proceeds from guarantee deposits received	-	51
Refund of guarantee deposits received	(899)	-
Repayment of the principal portion of lease liabilities	(8,099)	(8,202)
Dividends paid to owners of the Company	(584,176)	(580,082)
Proceeds from employee share options exercised	161,162	112,711
Exercised disgorgement	<u>-</u>	<u>34</u>
Net cash used in financing activities	<u>(232,012)</u>	<u>(141,979)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(608,856)	1,032,411
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,694,966</u>	<u>662,555</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,086,110</u>	<u>\$ 1,694,966</u>

The accompanying notes are an integral part of the parent company only financial statements.

(With Deloitte & Touche auditors' report dated March 10, 2026)

(Concluded)

KINIK COMPANY

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Kinik Company (the “Company”), founded by Mr. Bai Yong Chuan in 1953, started as Jin Ming Kiln Factory with Emery Product Department for production of vitrified bonded wheel and grinding stone and became the first grinding wheel plant in Taiwan. The Company restructured and increased capital in 1957 and 1964 and further increased capital in 1999, 2002 and 2005 and acquired Jin Ming Grinding Corp., House Technology Corp, and KINIK Precision Grinding Corp. The Company mainly manufactures conventional grinding wheel, diamond grinding wheel, CMP diamond disk, dicing blade and recycled wafer; it also engages in purchase and sell of wafers and import and export transactions.

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since January 31, 2005.

The parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF PARENT COMPANY ONLY FINANCIAL STATEMENTS

The parent company only financial statements were approved by the Company’s board of directors on March 10, 2026.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2026

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
IFRS 17 “Insurance Contracts” (including the 2020 and 2021 amendments to IFRS 17)	January 1, 2023

As of the date the parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note 2)
IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (including the 2025 amendments to IFRS 19)	January 1, 2027
Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”	January 1, 2027

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

IFRS 18 “Presentation and Disclosure in Financial Statements” and consequential amendments

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- To classify items of income and expenses presented in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories, the Company shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Company shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Company as a whole, the Company shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

In addition, the following consequential amendments have been made to IAS 7 “Statement of Cash Flows”:

- The Company shall use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.

- Interest and dividends received by the Company shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment, the Company has a specific main operating activity, it shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how it classifies dividend income, interest income and interest expense in the statement of profit or loss. The total of each of these cash flows shall be classified in a single category in the statement of cash flows.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The parent company only financial statements have been prepared on a historical cost basis except for financial instruments which are measured at fair value, and net defined benefit assets which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing the parent company only financial statements, the Company used the equity method to account for investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year, and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method and the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and the related equity items, as appropriate, in the parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and

- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if the entity classifies the option as an equity instrument.

d. Foreign currencies

In preparing the parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting the parent company only financial statements, the financial statements of the Company's foreign operations (including subsidiaries) that are stated in foreign currency are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal involving the loss of control over a subsidiary that includes a foreign operation or a disposal the reserved interest over the joint agreement or the associates and is deal with the accounting policies of financial instruments), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in the calculation of equity transactions but is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods, merchandise, work-in-process, and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the subsidiary directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries of entities that are not related to the Company.

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Company uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Company's share of equity of associates. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the parent company only financial statements only to the extent of interests in the associate of entities that are not related to the Company.

h. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

- k. Impairment of property, plant and equipment, right-of-use asset, investment properties and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

- l. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

- 1) Financial assets

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

- a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments and equity instruments at FVTOCI.

- i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value and remeasurement gains or losses on such financial assets are recognized in other gains and losses. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments measured at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), and investments in debt instruments that are measured at FVTOCI.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading.

Financial liabilities held for trading are stated at fair value, and any gains or losses on such financial liabilities are recognized in other gains or losses.

Fair value is determined in the manner described in Note 26.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

The component parts of compound instruments (i.e., convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Revenue recognition

The Company identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods

Revenue from the sale of goods is recognized when the goods are delivered to the customer's specific location, because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. However, revenue is recognized when the goods are shipped if the term of the sale transfers the risk of ownership to the customer at the point of shipment. Revenue and trade receivables are recognized concurrently.

The Company does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

o. Leases

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Lease negotiation with the lessee is treated as new leases from the effective date of the lease modification.

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

2) The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment loss and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

r. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

s. Employee share options

1) Employee share options

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Company's best estimate of the number of options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Company revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

2) Equity-settled share-based payment arrangements granted to the employees of a subsidiary

The grant by the Company of its equity instruments to the employees of a subsidiary under equity-settled share-based payment arrangements is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to capital surplus - employee share options.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods. The estimates and underlying assumptions are reviewed on an ongoing basis.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2025	2024
Cash on hand	\$ 360	\$ 361
Checking accounts and demand deposits	1,085,750	824,847
Cash equivalents		
Time deposits	<u>-</u>	<u>869,758</u>
	<u>\$ 1,086,110</u>	<u>\$ 1,694,966</u>

The market rate intervals of cash in the bank at the end of the year were as follows:

	December 31	
	2025	2024
Bank balance	0.001%-3.65%	0.001%-4.95%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2025	2024
<u>Financial assets - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative instruments		
Convertible options (Note 16)	<u>\$ 5,197</u>	<u>\$ -</u>
<u>Financial assets - non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic limited partnership	\$ 223,049	\$ 192,471
Domestic unlisted shares	<u>143,192</u>	<u>-</u>
	<u>\$ 366,241</u>	<u>\$ 192,471</u>

(Continued)

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Financial liabilities - current</u>		
Financial liabilities held for trading		
Derivative instruments		
Convertible put options (Note 16)	\$ <u>-</u>	\$ <u>3,298</u>
		(Concluded)

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Non-current</u>		
Investments in equity instruments		
Domestic listed shares and emerging market shares	\$ 114,491	\$ 112,667
Domestic unlisted shares	56,000	-
Investments in debt instruments		
Domestic and foreign corporate bonds	<u>490,408</u>	<u>497,106</u>
	<u>\$ 660,899</u>	<u>\$ 609,773</u>

These equity instruments of domestic listed preference shares, domestic unlisted common shares and domestic and foreign corporate bonds are held for medium to long-term strategic purposes and expect to make profit through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 34,274	\$ 43,705
Less: Allowance for impairment loss	<u>(441)</u>	<u>(441)</u>
	<u>\$ 33,833</u>	<u>\$ 43,264</u>
<u>Trade receivables (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 1,087,692	\$ 990,656
Less: Allowance for impairment loss	<u>(2,169)</u>	<u>(3,379)</u>
	<u>\$ 1,085,523</u>	<u>\$ 987,277</u>

a. Trade receivable

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. Overdue trade receivables as of December 31, 2025 and 2024 were both provided with allowance of 0%-100%.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation; however, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The aging of trade receivables (including related parties) was as follows:

	December 31	
	2025	2024
Not due	\$ 1,065,765	\$ 959,887
1-60 days	19,873	26,336
61-90 days	127	627
91-180 days	52	986
More than 181 days	<u>1,875</u>	<u>2,820</u>
	<u>\$ 1,087,692</u>	<u>\$ 990,656</u>

The above aging schedule was based on the number of days past due.

The movements of the loss allowance of trade receivables were as follows:

	For the Year Ended December 31	
	2025	2024
Balance at January 1	\$ 3,379	\$ 1,558
Add: Net remeasurement of loss allowance	-	1,821
Less: Net reversed of loss allowance	(210)	-
Less: Amounts written off	<u>(1,000)</u>	<u>-</u>
Balance at December 31	<u>\$ 2,169</u>	<u>\$ 3,379</u>

b. Notes receivable

The aging of notes receivable was as follows:

	December 31	
	2025	2024
Not due	\$ 34,274	\$ 43,705
Due	<u>-</u>	<u>-</u>
	<u>\$ 34,274</u>	<u>\$ 43,705</u>

The above aging schedule was based on the number of days past due.

The movements of the loss allowance of notes receivable were as follows:

	For the Year Ended December 31	
	2025	2024
Balance at January 1	\$ 441	\$ 441
Less: Net reversed of loss allowance	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 441</u>	<u>\$ 441</u>

10. INVENTORIES

	December 31	
	2025	2024
Finished goods and merchandise	\$ 687,722	\$ 670,139
Work in progress	354,942	334,503
Raw materials	852,758	792,980
Supplies	<u>68,286</u>	<u>61,394</u>
	<u>\$ 1,963,708</u>	<u>\$ 1,859,016</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2025	2024
Cost of inventories sold	\$ 4,686,001	\$ 4,483,061
Loss on inventory write-downs and retirement	<u>52,148</u>	<u>52,441</u>
	<u>\$ 4,738,149</u>	<u>\$ 4,535,502</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2025	2024
Investments in subsidiaries	\$ 1,249,192	\$ 347,369
Investments in associates	<u>-</u>	<u>19,082</u>
	<u>\$ 1,249,192</u>	<u>\$ 366,451</u>

a. Investments in subsidiaries

	Proportion of Ownership and Voting Rights	
	December 31	
	2025	2024
Hongia Industry Co., Ltd.	100.0%	100.0%
KINIK-THAI Co., Ltd.	47.2%	47.2%
KINLI Investment Co., Ltd.	100.0%	100.0%
MAX KINIK Seimitsu Co., Ltd.	100.0%	-
MAX KINIK Grinding Technology Co., Ltd.	77.7%	-
KINLI Asset Management & Development Co., Ltd.	100.0%	-

- 1) For details of the investment in subsidiaries that the Company held, refer to Table 5.
- 2) The Company holds 47.2% of the issued share capital of Kinik-Thai Co., Ltd. which is the biggest shareholder and holds more than half of the total number of seats in the board of directors. Hence, the Company lists it as a subsidiary company.
- 3) In April 2025, the Company acquired 100% equity interest in Mitsui Grinding Wheel Co., Ltd. which was renamed as MAX KINIK Seimitsu Co., Ltd. upon completion of the acquisition.
- 4) In April 2025, the Company and its subsidiary, KINIK-THAI CO., LTD., jointly acquired 99.6% equity interest in Mitsui Grinding Technology (Thailand) Co., Ltd., which was renamed as MAX KINIK Grinding Technology Co., Ltd. upon completion of the acquisition.
- 5) For disclosures regarding the Company's acquisitions of Mitsui Grinding Wheel Co., Ltd. and Mitsui Grinding Technology (Thailand) Co., Ltd., please refer to Note 27 of the Company's consolidated financial statements for the year 2025.
- 6) The Company established a new subsidiary, KINLI Asset Management & Development Co., Ltd., in November 2025.

b. Investments in associates

- 1) The list of associates that are not individually material was as follows:

	December 31			
	2025		2024	
	Amount	%	Amount	%
Winsheng Material Technology Co., Ltd.	<u>\$ -</u>	-	<u>\$ 19,082</u>	6.1

Winsheng Material Technology Co., Ltd.

The Company's percentage of ownership in the company immaterial associates is less than 20%. However, as the Company held a seat on the board of directors of Winsheng Material Technology Co., Ltd., it was considered to have significant influence over the company, and the investment was accounted for using the equity method up to the year ended 2024. Since the Company ceased to serve as a corporate director of Winsheng Material Technology Co., Ltd in late June 2025, it no longer has significant influence, and the remaining equity interest has been reclassified as financial assets at fair value through profit or loss.

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2025	2024
The Company's share of:		
Loss from continuing operations	\$ (4,086)	\$ (9,691)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (4,086)</u>	<u>\$ (9,691)</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2025	\$ 1,198,056	\$ 2,264,355	\$ 4,186,521	\$ 74,465	\$ 1,282,576	\$ 9,005,973
Additions	26,104	-	415,019	15,655	159,984	616,762
Disposals	<u>-</u>	<u>-</u>	<u>(68,444)</u>	<u>(6,487)</u>	<u>(7,923)</u>	<u>(82,854)</u>
Balance at December 31, 2025	<u>\$ 1,224,160</u>	<u>\$ 2,264,355</u>	<u>\$ 4,533,096</u>	<u>\$ 83,633</u>	<u>\$ 1,434,637</u>	<u>\$ 9,539,881</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2025	\$ -	\$ 1,036,237	\$ 3,027,711	\$ 52,777	\$ 877,721	\$ 4,994,446
Depreciation expense	-	95,566	337,176	9,481	100,368	542,591
Disposals	<u>-</u>	<u>-</u>	<u>(65,473)</u>	<u>(6,239)</u>	<u>(7,925)</u>	<u>(79,637)</u>
Balance at December 31, 2025	<u>\$ -</u>	<u>\$ 1,131,803</u>	<u>\$ 3,299,414</u>	<u>\$ 56,019</u>	<u>\$ 970,164</u>	<u>\$ 5,457,400</u>
Carrying amount at December 31, 2025	<u>\$ 1,224,160</u>	<u>\$ 1,132,552</u>	<u>\$ 1,233,682</u>	<u>\$ 27,614</u>	<u>\$ 464,473</u>	<u>\$ 4,082,481</u>
<u>Cost</u>						
Balance at January 1, 2024	\$ 1,213,957	\$ 2,261,369	\$ 3,810,746	\$ 76,792	\$ 1,259,610	\$ 8,622,474
Additions	3,664	30,021	400,008	3,400	25,076	462,169
Disposals	-	-	(24,233)	(5,727)	(2,110)	(32,070)
Reclassification	<u>(19,565)</u>	<u>(27,035)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,600)</u>
Balance at December 31, 2024	<u>\$ 1,198,056</u>	<u>\$ 2,264,355</u>	<u>\$ 4,186,521</u>	<u>\$ 74,465</u>	<u>\$ 1,282,576</u>	<u>\$ 9,005,973</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2024	\$ -	\$ 948,698	\$ 2,739,228	\$ 49,549	\$ 764,062	\$ 4,501,537
Depreciation expense	-	99,645	312,262	8,943	115,769	536,619
Disposals	-	-	(23,779)	(5,715)	(2,110)	(31,604)
Reclassification	<u>-</u>	<u>(12,106)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,106)</u>
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 1,036,237</u>	<u>\$ 3,027,711</u>	<u>\$ 52,777</u>	<u>\$ 877,721</u>	<u>\$ 4,994,446</u>
Carrying amount at December 31, 2024	<u>\$ 1,198,056</u>	<u>\$ 1,228,118</u>	<u>\$ 1,158,810</u>	<u>\$ 21,688</u>	<u>\$ 404,855</u>	<u>\$ 4,011,527</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life as follows:

Building	
Main buildings	7-50 years
Power equipment	8-10 years
Others	3-15 years
Machinery equipment	
Production equipment	3-12 years
Instrument	3-8 years
Transportation equipment	3-5 years
Other equipment	
Computer equipment	3-5 years
Others	3-15 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Plant	Total
<u>Cost</u>			
Balance at January 1, 2025	\$ 47,318	\$ 21,421	\$ 68,739
Additions	543	1,629	2,172
Disposals	<u>(1,592)</u>	<u>(1,765)</u>	<u>(3,357)</u>
Balance at December 31, 2025	<u>\$ 46,269</u>	<u>\$ 21,285</u>	<u>\$ 67,554</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2025	\$ 15,770	\$ 13,994	\$ 29,764
Depreciation expense	2,898	5,301	8,199
Disposals	<u>(1,592)</u>	<u>(1,765)</u>	<u>(3,357)</u>
Balance at December 31, 2025	<u>\$ 17,076</u>	<u>\$ 17,530</u>	<u>\$ 34,606</u>
Carrying amount at December 31, 2025	<u>\$ 29,193</u>	<u>\$ 3,755</u>	<u>\$ 32,948</u>
<u>Cost</u>			
Balance at January 1, 2024	\$ 45,225	\$ 20,745	\$ 65,970
Additions	<u>2,093</u>	<u>676</u>	<u>2,769</u>
Balance at December 31, 2024	<u>\$ 47,318</u>	<u>\$ 21,421</u>	<u>\$ 68,739</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2024	\$ 12,737	\$ 8,713	\$ 21,450
Depreciation expense	<u>3,033</u>	<u>5,281</u>	<u>8,314</u>
Balance at December 31, 2024	<u>\$ 15,770</u>	<u>\$ 13,994</u>	<u>\$ 29,764</u>
Carrying amount at December 31, 2024	<u>\$ 31,548</u>	<u>\$ 7,427</u>	<u>\$ 38,975</u>

Other than the above additions and depreciation expense recognized, there were no significant subleases or impairments of the Company's right-of-use assets as of December 31, 2025 and 2024.

b. Lease liabilities

	December 31	
	2025	2024
<u>Carrying amount</u>		
Current	<u>\$ 4,636</u>	<u>\$ 7,533</u>
Non-current	<u>\$ 29,790</u>	<u>\$ 32,820</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2025	2024
Land	1.11%-2.23%	1.11%-2.02%
Buildings	1.19%-1.99%	1.19%-1.93%

c. Other lease information

	For the Year Ended December 31	
	2025	2024
Expenses relating to short-term leases	<u>\$ 6,507</u>	<u>\$ 5,181</u>
Expenses relating to low-value asset leases	<u>\$ 101</u>	<u>\$ 101</u>
Total cash outflow for leases	<u>\$ (15,163)</u>	<u>\$ (14,023)</u>

- 1) Operating leases of investment properties lease agreements please refer to Note 14.
- 2) The Company's leases of certain assets qualify as short-term leases and leases of certain assets qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INVESTMENT PROPERTIES

	Land	Plant	Total
<u>Cost</u>			
Balance at January 1, 2025	\$ 344,906	\$ 105,233	\$ 450,139
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2025	<u>\$ 344,906</u>	<u>\$ 105,233</u>	<u>\$ 450,139</u>

(Continued)

	Land	Plant	Total
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2025	\$ -	\$ 64,873	\$ 64,873
Depreciation expense	<u>-</u>	<u>7,366</u>	<u>7,366</u>
Balance at December 31, 2025	<u>\$ -</u>	<u>\$ 72,239</u>	<u>\$ 72,239</u>
Carrying amount at December 31, 2025	<u>\$ 344,906</u>	<u>\$ 32,994</u>	<u>\$ 377,900</u>

Cost

Balance at January 1, 2024	\$ 325,341	\$ 78,198	\$ 403,539
Additions	-	-	-
Reclassification	<u>19,565</u>	<u>27,035</u>	<u>46,600</u>
Balance at December 31, 2024	<u>\$ 344,906</u>	<u>\$ 105,233</u>	<u>\$ 450,139</u>

Accumulated depreciation and impairment

Balance at January 1, 2024	\$ -	\$ 44,856	\$ 44,856
Depreciation expense	-	7,911	7,911
Reclassification	<u>-</u>	<u>12,106</u>	<u>12,106</u>
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 64,873</u>	<u>\$ 64,873</u>

Carrying amount at December 31, 2024	<u>\$ 344,906</u>	<u>\$ 40,360</u>	<u>\$ 385,266</u>
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(Concluded)

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	December 31	
	2025	2024
Year 1	\$ 16,024	\$ 17,500
Year 2	8,159	8,068
Year 3	7,240	7,440
Year 4	-	7,240
Year 5	<u>-</u>	<u>-</u>
	<u>\$ 31,423</u>	<u>\$ 40,248</u>

The management of the Company used the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar real estate properties. The fair value as appraised was as follows:

	December 31	
	2025	2024
Fair value	<u>\$ 827,640</u>	<u>\$ 821,319</u>

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2025	2024
Unsecured bank loans	<u>\$ 250,000</u>	<u>\$ 50,000</u>

The range of interest rates on short-term borrowings was 1.80%-2.05% and 1.66% per annum at December 31, 2025 and 2024, respectively.

b. Long-term borrowings

	December 31	
	2025	2024
<u>Unsecured borrowings</u>		
Credit borrowings	\$ 1,060,000	\$ 1,060,000
Less: Current portion	<u>(52,500)</u>	<u>-</u>
Long-term borrowings	<u>\$ 1,007,500</u>	<u>\$ 1,060,000</u>

The range of interest rates on long-term borrowings was 1.465%-2.00% and 1.49%-2.00% per annum at December 31, 2025 and 2024, respectively.

The outstanding long-term borrowings for both as of December 31, 2025 and 2024 are due from May 30, 2027 to July 31, 2029.

16. BONDS PAYABLE

	December 31	
	2025	2024
Unsecured domestic convertible bonds	\$ 999,400	\$ 999,500
Less: Discount on bonds	<u>(71,140)</u>	<u>(90,528)</u>
	<u>\$ 928,260</u>	<u>\$ 908,972</u>

The first unsecured domestic convertible bonds

At June 24, 2024, the Company issued 10 thousand units of NTD-denominated unsecured convertible bonds with a face value of \$100 thousand per bond certificate, 0% interest rate, issued at 118.38% of the face value, with an aggregate principal amount of \$1,000,000 thousand. The issuance period is five years, starting from June 24, 2024, and maturing on June 24, 2029.

Unless the holders of these convertible bonds apply for conversion into the Company's common stock, exercise the put option, or the Company redeems the bonds early, or the Company buys back and cancels the bonds through a securities firm, the Company will repay the bonds in cash at face value within ten business days starting from the day after the maturity date of the convertible bonds.

Starting from the day after the issuance of these convertible bonds (September 25, 2024), and until the maturity date (June 24, 2029), bondholders may request to convert the bonds into the Company's common stock at any time, unless: (1) the transfer of the common stock is temporarily suspended by law; (2) 15 days before the Company has suspended the transfer of shares before the stock dividend record date, the cash dividend record date, or the stock subscription record date for a cash capital increase; (3) the Company is carrying out a capital reduction, from the capital reduction record date to the day before the new stock is available for trading; (4) the Company is changing the face value of the stock, from the date conversion is suspended until the day before the new stock begins trading. Conversion requests can be made via the original brokerage firm, notifying the Taiwan Depository & Clearing Corporation (TDCC) and the Company's stock agent.

In addition, on October 28, 2025, the board of directors resolved that, in accordance with the Financial Supervisory Commission's letter No. 1140382105 and the amended Article 32 of the "Regulations Governing the Offering and Issuance of Securities by Issuers," holders of convertible bonds shall not be subject to restrictions on conversion during the suspension period for the convening of annual and extraordinary shareholders' meetings, in order to enhance investors' rights and interests.

The conversion price for these bonds is determined using June 3, 2024, as the base date. The base price is the simple arithmetic average of the closing prices of the Company's common stock on the business day before, three business days before, or five business days before the base date. The conversion price is then calculated by multiplying this base price by 102% to account for the conversion premium (rounded to the nearest cent). If there are any ex-rights or ex-dividend events before the base date, the closing prices used for calculating the conversion price will be adjusted accordingly. The conversion price, after adjustments, is set at NT\$292.10 per share.

From September 25, 2024 (the day after the bonds have been issued for three months) to 40 days before the maturity date (May 15, 2029), if the closing price of the Company's common stock exceeds the conversion price by 30% for 30 consecutive business days, or if the outstanding balance of these convertible bonds falls below 10% of the original issuance amount, the Company may redeem the bonds in cash based on the face value of the bonds.

The redemption date for bondholders to request early redemption is set as June 24, 2027 (three years after the issuance of the bonds). Bondholders may request to have their bonds redeemed in cash at face value within 40 days before this redemption base date (May 15, 2027). The Company must accept these redemption requests and redeem the bonds in cash.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 2.1322% per annum on initial recognition.

Proceeds from issuance (less transaction costs)	\$ 1,178,509
Equity component (less transaction costs allocated to the equity component and related tax effect)	(274,390)
Deferred tax assets	245
Options (at fair value through profit or loss) and allocation of transaction cost recognized as profit or loss	<u>(4,480)</u>
Liability component at the date of issue (less transaction costs allocated to the liability component)	899,884
Interest charged at an effective interest rate of 2.1322%	28,920
Convertible bonds converted into ordinary shares	<u>(544)</u>
Liability component at December 31, 2025	<u>\$ 928,260</u>

17. OTHER PAYABLES

	December 31	
	2025	2024
Payables for payroll and bonus	\$ 546,938	\$ 473,267
Payables for annual leave	67,367	65,563
Payables for purchases of equipment	146,632	49,547
Others	<u>174,341</u>	<u>170,024</u>
	<u>\$ 935,278</u>	<u>\$ 758,401</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2025	2024
Present value of defined benefit obligation	\$ 552,604	\$ 523,202
Fair value of plan assets	<u>(639,958)</u>	<u>(603,678)</u>
Net defined benefit assets	<u>\$ (87,354)</u>	<u>\$ (80,476)</u>

Movements in net defined benefit (assets) liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit (Assets) Liabilities
Balance at January 1, 2024	<u>\$ 551,682</u>	<u>\$ (570,156)</u>	<u>\$ (18,474)</u>
Service cost			
Current service cost	2,287	-	2,287
Past service cost	10,923	-	10,923
Net interest expense (income)	<u>6,896</u>	<u>(7,248)</u>	<u>(352)</u>
Recognized in profit or loss	<u>20,106</u>	<u>(7,248)</u>	<u>12,858</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(50,654)	(50,654)
Actuarial gain - changes in financial assumptions	(10,702)	-	(10,702)
Actuarial loss - experience adjustments	<u>5,972</u>	<u>-</u>	<u>5,972</u>
Recognized in other comprehensive gain	<u>(4,730)</u>	<u>(50,654)</u>	<u>(55,384)</u>
Contributions from the employer	-	(19,303)	(19,303)
Benefits paid - from plan assets	(43,683)	43,683	-
Benefits paid - from company	<u>(173)</u>	<u>-</u>	<u>(173)</u>
Balance at December 31, 2024	<u>523,202</u>	<u>(603,678)</u>	<u>(80,476)</u>
Service cost			
Current service cost	2,660	-	2,660
Past service cost	7,000	-	7,000
Net interest expense (income)	<u>7,848</u>	<u>(9,200)</u>	<u>(1,352)</u>
Recognized in profit or loss	<u>17,508</u>	<u>(9,200)</u>	<u>8,308</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(43,192)	(43,192)
Actuarial loss - changes in financial assumptions	10,770	-	10,770
Actuarial loss - experience adjustments	<u>36,060</u>	<u>-</u>	<u>36,060</u>
Recognized in other comprehensive loss (gain)	<u>46,830</u>	<u>(43,192)</u>	<u>3,638</u>
Contributions from the employer	-	(18,824)	(18,824)
Benefits paid - from plan assets	(34,936)	34,936	-
Benefits paid - from company	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2025	<u>\$ 552,604</u>	<u>\$ (639,958)</u>	<u>\$ (87,354)</u>

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit (assets) liabilities obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2025	2024
Discount rate(s)	1.25%	1.50%
Expected rate(s) of salary increase	2.50%	2.50%

The mortality rate in 2025 and 2024 are both based on the sixth experience life tables of Taiwan's life insurance industry. The disability rate is 10% of the expected mortality rate.

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2025	2024
Discount rate(s)		
0.25% increase	<u>\$ (10,770)</u>	<u>\$ (10,365)</u>
0.25% decrease	<u>\$ 11,131</u>	<u>\$ 10,702</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 10,809</u>	<u>\$ 10,408</u>
0.25% decrease	<u>\$ (10,513)</u>	<u>\$ (10,133)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2025	2024
Expected contributions to the plan for the next year	<u>\$ 18,600</u>	<u>\$ 19,320</u>
Average duration of the defined benefit obligation	8.5 years	8.4 years

19. OTHER NON-CURRENT LIABILITIES

	December 31	
	2025	2024
Long-term provisions for employee benefits	<u>\$ 16,770</u>	<u>\$ 27,179</u>

20. EQUITY

a. Ordinary shares

	December 31	
	2025	2024
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>147,292</u>	<u>145,950</u>
Shares issued	<u>\$ 1,472,919</u>	<u>\$ 1,459,504</u>

The change in the Company's share capital are mainly due to the exercise of employee share options and conversion of the convertible bonds. 351 thousand shares of the Company have not been registered with the Ministry of Economic Affairs before the date of approval of issuance of the parent company only financial statements.

b. Capital surplus

	December 31	
	2025	2024
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	\$ 200,561	\$ 195,181
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	663	663
From business combinations	1,007,999	1,007,999
Arising from employee share options expired	704	704
<u>May only be used to offset a deficit</u>		
Share of changes in capital surplus of associates	-	28,641
Exercised disgorgement	34	34
<u>May not be used for any purpose</u>		
Employee share options	204,037	129,388
Equity components of convertible corporate bonds issued by Company	<u>274,225</u>	<u>274,253</u>
	<u>\$ 1,688,223</u>	<u>\$ 1,636,863</u>

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

The Company's Articles also stipulate a dividend policy whereby the distribution could be either cash or shares. The portion of cash and shares is subject to the plan made by the Company's board of directors based on the actual need, respectively. In principle, cash dividends shall not be less than 20% of the total dividends distributed.

Appropriations of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

When there is a cumulative net debit balance in the prior period's unappropriated earnings, the special reserve shall only be appropriated from the sum of the current period's net profit and items other than net profit that are directly included in the current period's unappropriated earnings.

If all or part of the above-mentioned distribution of dividends, bonuses, legal reserve and capital surplus is made in cash, the board of directors is authorized to approve the distribution with the presence of more than two-thirds of the directors and the consent of more than half of the directors present, and the matter should be reported to the shareholders' meeting.

The appropriations of earnings for 2024 and 2023 were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2024	2023
Legal reserve	\$ 108,155	\$ 86,139
Special reserve	\$ 599	\$ 534
Cash dividends	\$ 394,319	\$ 362,551
Cash dividends per share (NT\$)	\$ 2.7	\$ 2.5

The above 2024 and 2023 appropriations for cash dividends were resolved by the Company's board of directors on February 26, 2025 and February 27, 2024, respectively; the other proposed appropriations were resolved by the shareholders in the shareholders' meeting on June 19, 2025 and June 24, 2024.

The Company's board of directors proposed to issue cash dividends of \$189,857 thousand and \$217,531 thousand from the capital surplus on February 26, 2025 and February 27, 2024.

The appropriations of earnings for 2025 were as follows:

	<u>Appropriation of Earnings</u>
	For the Year Ended December 31, 2025
Legal reserve	<u>\$ 135,777</u>
Special reserve	<u>\$ 17,666</u>
Cash dividends	<u>\$ 549,627</u>
Cash dividends per share (NT\$)	\$ 3.7

The Company's board of directors resolved to distribute cash dividends on March 10, 2026; the retained earnings are to be presented for approval in the Company's shareholders' meeting to be held on June 23, 2026.

The Company's board of directors proposed to issue cash dividends of \$193,112 thousand from the capital surplus on March 10, 2026.

21. NET PROFIT

a. Interest income

	<u>For the Year Ended December 31</u>	
	2025	2024
Bank deposits	\$ 22,852	\$ 33,959
Investments in debt instruments at fair value through other comprehensive income	26,638	24,999
Loans to others (Note 27)	<u>3,697</u>	<u>-</u>
	<u>\$ 53,187</u>	<u>\$ 58,958</u>

b. Other income

	<u>For the Year Ended December 31</u>	
	2025	2024
Rent income (Note 27)	\$ 18,473	\$ 19,526
Government grants	10,294	16,121
Others	<u>26,152</u>	<u>19,566</u>
	<u>\$ 54,919</u>	<u>\$ 55,213</u>

c. Other gains and losses

	For the Year Ended December 31	
	2025	2024
Gain on disposal of property, plant and equipment	\$ 5,127	\$ 1,178
Net gain on fair value changes of financial assets at fair value through profit and loss	44,989	9,370
Gain on disposal of equity-method investments	26,734	-
Net foreign exchange (losses)/gains	(5,280)	86,617
Gain on bargain purchase	188,182	-
Others	<u>(1,472)</u>	<u>(23,515)</u>
	<u>\$ 258,280</u>	<u>\$ 73,650</u>

d. Finance costs

	For the Year Ended December 31	
	2025	2024
Interest on bank loans	\$ 26,940	\$ 33,757
Interest on lease liabilities	456	539
Interest on convertible bonds	<u>19,380</u>	<u>9,540</u>
	<u>\$ 46,776</u>	<u>\$ 43,836</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2025	2024
An analysis of depreciation by function		
Operating costs	\$ 505,033	\$ 496,690
Operating expenses	<u>53,123</u>	<u>56,154</u>
	<u>\$ 558,156</u>	<u>\$ 552,844</u>
An analysis of amortization by function		
Operating costs	\$ 3,329	\$ 3,098
Operating expenses	<u>5,217</u>	<u>3,269</u>
	<u>\$ 8,546</u>	<u>\$ 6,367</u>

f. Employee benefits expense

	For the Year Ended December 31					
	2025			2024		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Post-employee benefits expense						
Defined contribution plans	\$ 46,408	\$ 12,927	\$ 59,335	\$ 44,789	\$ 11,985	\$ 56,774
Defined benefit plans (Note 18)	8,034	274	8,308	12,438	420	12,858
Share-based payments						
Compensation costs of employee share options	90,977	29,991	120,968	58,483	17,964	76,447
Other employee benefits expense	<u>1,385,092</u>	<u>456,157</u>	<u>1,841,249</u>	<u>1,357,163</u>	<u>395,033</u>	<u>1,752,196</u>
Total employee benefits expense	<u>\$ 1,530,511</u>	<u>\$ 499,349</u>	<u>\$ 2,029,860</u>	<u>\$ 1,472,873</u>	<u>\$ 425,402</u>	<u>\$ 1,898,275</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles before the amendments, the Company accrued compensation of employees and remuneration of directors at rates no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The shareholders of the Company resolved the amendments to the Company's Articles at their meeting held on June 19, 2025, stipulating that the Company accrued compensation of employees at rates no less than 10% of net profit before income tax, compensation of employees and remuneration of director. In accordance with the amendments to the Securities and Exchange Act in August 2024, the amendments explicitly stipulate the allocation of no less than 40% of employee compensation shall be distributed to non-executive employees. The compensation of employees and remuneration of directors for the years ended December 31, 2025 and 2024 which have been approved by the Company's board of directors on March 10, 2026 and February 26, 2025, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2025	2024
	Cash	Cash
Compensation of employees	\$ 185,000	\$ 135,000
Remuneration of directors	13,800	13,800

If there is a change in the amount after the annual parent company only financial statements were authorized for issue, any difference is recorded as a change in accounting estimate.

There was no difference between the actual amounts paid for compensation of employees and remuneration of directors and the amounts recognized in the parent company only financial statements for the years ended December 31, 2024 and 2023.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

22. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2025	2024
Current tax		
In respect of the current year	\$ 285,629	\$ 224,801
Adjustments for prior year	<u>(31,118)</u>	<u>(8,549)</u>
	<u>254,511</u>	<u>216,252</u>
Deferred tax		
In respect of the current year	<u>3,276</u>	<u>12,312</u>
Income tax expense recognized in profit or loss	<u>\$ 257,787</u>	<u>\$ 228,564</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2025	2024
Profit before tax from continuing operations	<u>\$ 1,618,007</u>	<u>\$ 1,263,567</u>
Income tax expense calculated at the statutory rate	\$ 323,601	\$ 252,713
Tax-exempt income	(5,347)	-
Deductible income in determining taxable income	(29,349)	(15,600)
Adjustments for prior years' tax	<u>(31,118)</u>	<u>(8,549)</u>
Income tax expense recognized in profit or loss	<u>\$ 257,787</u>	<u>\$ 228,564</u>

b. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2025

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 11,076	\$ (3,782)	\$ -	\$ 7,294
Defined benefit plans	13,113	361	-	13,474
Others	<u>7,227</u>	<u>420</u>	<u>-</u>	<u>7,647</u>
	<u>\$ 31,416</u>	<u>\$ (3,001)</u>	<u>\$ -</u>	<u>\$ 28,415</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized revaluation increment	\$ 36,754	\$ -	\$ -	\$ 36,754
Defined benefit plans	16,414	2,090	(728)	17,776
Others	<u>11,716</u>	<u>(1,815)</u>	<u>-</u>	<u>9,901</u>
	<u>\$ 64,884</u>	<u>\$ 275</u>	<u>\$ (728)</u>	<u>\$ 64,431</u>

For the year ended December 31, 2024

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized in Equity	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on inventories	\$ 13,509	\$ (2,433)	\$ -	\$ -	\$ 11,076
Payables for annual leave	12,410	703	-	-	13,113
Others	<u>10,120</u>	<u>(3,137)</u>	<u>-</u>	<u>244</u>	<u>7,227</u>
	<u>\$ 36,039</u>	<u>\$ (4,867)</u>	<u>\$ -</u>	<u>\$ 244</u>	<u>\$ 31,416</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized revaluation increment	\$ 36,754	\$ -	\$ -	\$ -	\$ 36,754
Defined benefit plans	4,015	1,322	11,077	-	16,414
Others	<u>5,593</u>	<u>6,123</u>	<u>-</u>	<u>-</u>	<u>11,716</u>
	<u>\$ 46,362</u>	<u>\$ 7,445</u>	<u>\$ 11,077</u>	<u>\$ -</u>	<u>\$ 64,884</u>

c. Income tax assessments

The tax returns through 2023 have been assessed by the tax authorities. The Company agreed with the tax authorities' assessment.

23. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2025	2024
Profit for the year attributable to owners of the Company	\$ 1,360,220	\$ 1,035,003
Effect of potentially dilutive ordinary shares:		
Employee stock options	-	-
Compensation of employees	-	-
Interest on convertible bonds	<u>19,380</u>	<u>9,540</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,379,600</u>	<u>\$ 1,044,543</u>

Weighted Average Number of Common Stock Outstanding

Unit: In Thousand Shares

	For the Year Ended December 31	
	2025	2024
Weighted average number of ordinary shares used in computation of basic earnings per share	146,571	145,786
Effect of potentially dilutive ordinary shares		
Employee share options	971	1,578
Compensation of employees	541	531
Convertible bonds	<u>3,512</u>	<u>3,468</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>151,595</u>	<u>151,363</u>

The Company may settle compensation or bonus of employees in cash or shares; therefore, the Company assumes the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

If the outstanding convertible bonds issued by the Company are converted to ordinary shares/the exercise price of the options or warrants issued by the Company exceeded the average market price of the shares. They are anti-dilutive and excluded from the computation of diluted earnings per share.

24. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

- Qualified employees of the Company and its subsidiaries were granted 2,500 options in July 2018. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Taiwan Stock Exchange (TWSE) on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	2025		2024	
	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted-average Exercise Price (\$)
Balance at January 1	-	\$ -	68	\$ 56.1
Options granted	-	-	-	-
Options exercised	-	-	(38)	55.7
Options forfeited	<u>-</u>	-	<u>(30)</u>	-
Balance at December 31	<u>-</u>	-	<u>-</u>	-
Options exercisable, end of period	<u>-</u>		<u>-</u>	

Information on outstanding employee share options was as follows:

	December 31	
	2025	2024
Range of exercise price (\$)	\$-	\$-
Weighted-average remaining contractual life (in years)	-	-

- b. Qualified employees of the Company and its subsidiaries were granted 2,500 options in July 2020. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Taiwan Stock Exchange (TWSE) on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	For the Year Ended December 31			
	2025		2024	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	505	\$ 57.8	898	\$ 58.6
Options granted	-	-	-	-
Options exercised	(446)	57.7	(392)	58.2
Options forfeited	-	-	(1)	-
Balance at December 31	<u>59</u>	57.1	<u>505</u>	57.8
Options exercisable, end of the year	<u>59</u>		<u>505</u>	

Information on outstanding employee share options was as follows:

	December 31	
	2025	2024
Range of exercise price (\$)	\$57.1	\$57.8
Weighted-average remaining contractual life (in years)	0.5	1.5

- c. Qualified employees of the Company and its subsidiaries were granted 2,500 options in July 2022. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Taiwan Stock Exchange (TWSE) on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	For the Year Ended December 31			
	2025		2024	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	1,876	\$ 152.7	2,442	\$ 154.8
Options granted	-	-	-	-
Options exercised	(896)	151.3	(575)	152.7
Options restored	-	-	12	-
Options forfeited	<u>(5)</u>	-	<u>(3)</u>	-
Balance at December 31	<u>975</u>	150.8	<u>1,876</u>	152.7
Options exercisable, end of the year	<u>975</u>		<u>675</u>	

Information on outstanding employee share options was as follows:

	December 31	
	2025	2024
Range of exercise price (\$)	\$150.80	\$152.70
Weighted-average remaining contractual life (in years)	2.57	3.57

- d. Qualified employees of the Company and its subsidiaries were granted 2,500 options in July 2024. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 6 years exercisable at certain percentages after the second anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's ordinary shares listed on the Taiwan Stock Exchange (TWSE) on the day before the grant date, on the grant date and on the day after it, or the average closing price of the three days. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

	For the Year Ended December 31			
	2025		2024	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	2,500	\$ 311.0	-	\$ -
Options granted	-	-	2,500	311.0
Options exercised	-	-	-	-
Options forfeited	<u>(45)</u>	-	<u>-</u>	-
Balance at December 31	<u>2,455</u>	307.1	<u>2,500</u>	311.0
Options exercisable, end of the year	<u>-</u>		<u>-</u>	

Information on outstanding employee share options was as follows:

	December 31	
	2025	2024
Range of exercise price (\$)	\$307.10	\$311.00
Weighted-average remaining contractual life (in years)	4.58	5.58

Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	July 2024	July 2022	July 2020	July 2018
Grant-date share price	\$311.0	\$160.0	\$64.4	\$68.8
Exercise price	\$311.0	\$160.0	\$64.4	\$68.8
Expected volatility	40.83%-41.91%	33.07%-33.94%	25.33%-25.80%	27.04%-28.04%
Expected life (in years)	6	6	6	6
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	1.48%-1.50%	1.03%-1.05%	0.31%-0.32%	0.67%-0.69%

Expected volatility was estimated using the annualized standard deviation of the Company's historical daily return over a duration commensurate with the expected life of the options.

Compensation cost recognized was \$120,968 thousand and \$76,447 thousand for years ended December 31, 2025 and 2024, respectively.

25. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy has no significant variations.

The Company is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Except for the items in the table below, the Company's management consider the book value of not measured at fair value financial assets and financial liabilities as approximate fair value or there is no basis for fair value measurement.

December 31, 2025

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Domestic corporate bonds	<u>\$ 928,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 941,235</u>	<u>\$ 941,235</u>

December 31, 2024

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities at amortized cost					
Domestic corporate bonds	\$ 908,972	\$ -	\$ -	\$ 914,143	\$ 914,143

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2025

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic limited partnership	\$ -	\$ -	\$ 223,049	\$ 223,049
Domestic unlisted shares	-	-	143,192	143,192
Convertible bonds options	<u>-</u>	<u>-</u>	<u>5,197</u>	<u>5,197</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,438</u>	<u>\$ 371,438</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 114,491	\$ -	\$ -	\$ 114,491
Domestic unlisted shares	-	-	56,000	56,000
Investments in debt instruments				
Domestic and foreign corporate bonds	<u>490,408</u>	<u>-</u>	<u>-</u>	<u>490,408</u>
	<u>\$ 604,899</u>	<u>\$ -</u>	<u>\$ 56,000</u>	<u>\$ 660,899</u>

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic limited partnership	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,471</u>	<u>\$ 192,471</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	\$ 112,667	\$ -	\$ -	\$ 112,667
Investments in debt instruments				
Domestic and foreign corporate bonds	<u>497,106</u>	<u>-</u>	<u>-</u>	<u>497,106</u>
	<u>\$ 609,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,773</u>
Financial liabilities at FVTPL				
Convertible bonds put options	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,298</u>	<u>\$ 3,298</u>

There were no transfers between Level 1 and Level 2 fair value measurements in 2025 and 2024.

2) Reconciliation of financial instruments measured at fair value in Level 3

The Company's financial assets under Level 3 fair value measurement are equity instruments measured at fair value through profit or loss, the reconciliation of 2025 and 2024 were as follows:

For the year ended December 31, 2025

	FVTPL		FVOCI	
	Convertible Options	Financial Equity Instruments	Financial Equity Instruments	Total
<u>Financial assets (liabilities)</u>				
Balance at January 1	\$ (3,298)	\$ 192,471	\$ -	\$ 189,173
Purchases	-	124,187	56,000	180,187
Reclassification	-	13,089	-	13,089
Recognized in profit or loss (other gains and losses)	<u>8,495</u>	<u>36,494</u>	<u>-</u>	<u>44,989</u>
Balance at December 31	<u>\$ 5,197</u>	<u>\$ 366,241</u>	<u>\$ 56,000</u>	<u>\$ 427,438</u>

For the year ended December 31, 2024

	FVTPL		
	Convertible Put Options	Financial Equity Instruments	Total
<u>Financial assets (liabilities)</u>			
Balance at January 1	\$ -	\$ 128,820	\$ 128,820
Purchases	-	70,000	70,000
Issuance of convertible bonds	(4,500)	-	(4,500)
Recognized in profit or loss (other gains and losses)	1,201	8,047	9,248
Reduction of capital and return of contributed funds	-	(14,396)	(14,396)
Convertible bonds converted into ordinary shares	<u>1</u>	<u>-</u>	<u>1</u>
Balance at December 31	<u>\$ (3,298)</u>	<u>\$ 192,471</u>	<u>\$ 189,173</u>

3) Level 3 fair value measurements valuation techniques and inputs

- a) The asset-based approach is used to evaluate the fair value of the domestic limited partnership by referring to the net asset value of the investee. The valuation method is chosen by the Company after careful assessment. However, the fair value measurement is reasonable, the adoption of different valuation models or fair value may lead to different valuation results.

- b) The market approach and income approach are used to determine the fair value of domestic unlisted shares. Under the market approach, fair value is determined by reference to valuation multiples of comparable companies with similar operating and financial profiles. The multiples are then adjusted for a discount for lack of marketability. In income approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed below. An increase in long-term revenue growth rates or long-term pre-tax operating margin or a decrease in the WACC or discount for lack of marketability used in isolation would result in an increase in the fair value.
- c) The convertible corporate bonds option is valued using the binomial tree convertible bond valuation model, with significant unobservable inputs including the risk-free interest rate, stock price, and volatility.
- c. Types of financial instruments

	December 31	
	2025	2024
<u>Financial assets</u>		
Financial assets measured at amortized cost (1)	\$ 2,472,138	\$ 2,743,843
FVTPL		
Mandatorily classified as at FVTPL	371,438	192,471
Financial assets at fair value through other comprehensive income		
Equity instruments	170,491	112,667
Debt instruments	490,408	497,106
<u>Financial liabilities</u>		
FVTPL		
Held for trading	-	3,298
Financial liabilities at amortized cost (2)	2,950,342	2,603,040

- 1) The balances include financial assets at amortized cost, including cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables and refundable deposits.
 - 2) The balances include financial liabilities at amortized cost, including short-term loans, notes payable, trade payables, other payables, bonds payable and long-term loans (includes current portion).
- d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables, bonds payable, borrowings, notes payable and lease liabilities. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below).

The Company did not change the method of managing and measuring market risk exposure of financial instruments.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within natural hedges. Hence, a change in the market exchange rate would change the fair value of a related financial instrument.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Company was mainly exposed to the USD.

The following table details the Company's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the USD. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars weakening by 5% against the relevant currency. For a 5% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2025	2024
Profit or loss*	\$ 82,869	\$ 69,739

* This was mainly attributable to the exposure on outstanding USD trade receivables, trade payables, which were not hedged at the end of the year.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk because the exposure at the end of the year did not reflect the exposure during the year.

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31	
	2025	2024
Fair value interest rate risk		
Financial assets	\$ 741,375	\$ 1,376,707
Financial liabilities	964,112	949,325
Cash flow interest rate risk		
Financial assets	1,074,873	817,080
Financial liabilities	1,310,000	1,110,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. 10 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2025 and 2024 would have decreased by \$235 thousand and \$293 thousand, respectively.

c) Other price risk

The Company incurs equity price risk as a result of holding investments in equity securities.

Sensitivity analysis

The sensitivity analysis below is based on the equity price risk exposure on the balance sheet date.

If equity prices had increased/decreased by 5%, the profit or loss before tax for the years ended December 31, 2025 and 2024 would have increased/decreased by \$7,160 thousand and \$0 thousand, respectively, as a result of changes in the fair value of financial assets at FVTPL. The other comprehensive income (loss) before tax for the same periods would have increased/decreased by \$8,525 thousand and \$5,633 thousand, respectively, due to changes in the fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. As at the end of the reporting period, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

Counterparties of trade receivables consisted of a large number of different customers and geographical locations, spread across conventional grinding wheels, cutter products, CMP diamond disks and recycled wafers. Ongoing credit evaluation is performed on the customers' financial condition. The Company's concentration of credit risk by geographical location was mainly in Taiwan, Japan, the United States, China and Southeast Asia.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2025 and 2024, the Company had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

December 31, 2025

	On Demand or Less than 1 Month	1-6 Months	6 Months to 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 823,868	\$ 251,566	\$ 266,167	\$ -
Lease liabilities	617	1,767	2,620	31,559
Debt instrument	<u>52,040</u>	<u>226,639</u>	<u>44,604</u>	<u>2,043,754</u>
	<u>\$ 876,525</u>	<u>\$ 479,972</u>	<u>\$ 313,391</u>	<u>\$ 2,075,313</u>

Additional information on the maturity analysis of lease liabilities

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	<u>\$ 5,004</u>	<u>\$ 12,762</u>	<u>\$ 18,797</u>

December 31, 2024

	On Demand or Less than 1 Month	1-6 Months	6 Months to 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 774,894	\$ 153,410	\$ 214,364	\$ -
Lease liabilities	615	3,095	4,249	34,899
Debt instrument	<u>51,691</u>	<u>8,103</u>	<u>9,940</u>	<u>2,126,811</u>
	<u>\$ 827,200</u>	<u>\$ 164,608</u>	<u>\$ 228,553</u>	<u>\$ 2,161,710</u>

Additional information on the maturity analysis of lease liabilities

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	<u>\$ 7,959</u>	<u>\$ 13,448</u>	<u>\$ 21,451</u>
b) Credit line			
	December 31		
	2025	2024	
Bank credit line			
Used credit	\$ 1,310,000	\$ 1,110,000	
Unused credit	<u>5,080,000</u>	<u>4,690,000</u>	
	<u>\$ 6,390,000</u>	<u>\$ 5,800,000</u>	

27. TRANSACTIONS WITH RELATED PARTIES

The significant transactions between the Company and its related parties are disclosed as follows:

a. Related parties and relationships

Related Party	Nature of Relationship
Hongia Industry Co., Ltd.	Subsidiary
KINIK THAI CO., LTD.	Subsidiary
MAX KINIK Seimitsu Co., Ltd.	Subsidiary
MAX KINIK Grinding Technology Co., Ltd.	Subsidiary
KINLI Investment Co., Ltd.	Subsidiary
KINLI Asset Management & Development Co., Ltd.	Subsidiary
DONGGUAN KINIK TRADING CO., LTD.	Sub-subsidiaries
Winsheng Material Technology Co., Ltd.	Associate (Ceased to be a related party on June 27, 2025)
SIAM KINIK SALES CO., LTD.	Related party in substance
WEBSTER CO., LTD.	Related party in substance
Kinchuan Investment Co., Ltd.	Related party in substance
Li-He Inv. Company Ltd.	Related party in substance
Lin, Po-Chuan	Related party in substance
Lin, Po-Yin	Related party in substance

b. Sales of goods

Account	Related Party Category/Name	For the Year Ended December 31	
		2025	2024
Sales revenue	Subsidiaries	\$ 12,599	\$ 15,440
	Sub-subsidiaries	8,272	1,279
	Associates	2,110	1,080
	Related party in substance	<u>4,251</u>	<u>2,781</u>
		<u>\$ 27,232</u>	<u>\$ 20,580</u>

Sales to related parties are based on cost-plus pricing. There were no significant differences in transaction terms between related parties and third parties.

Account	Related Party Category/Name	For the Year Ended December 31	
		2025	2024
Other income	Subsidiaries	\$ 20,317	\$ 14,969
	Related party in substance	<u>216</u>	<u>216</u>
		<u>\$ 20,533</u>	<u>\$ 15,185</u>

The Company leased the plant in Hsinchu and Dahu to our subsidiary, Hongia Industry Co., Ltd. under operating leases in 2025 and 2024, respectively. The lease term for both leases is 5 years, and the rent is based on the rental level of similar assets. Fixed lease payments are received monthly as specified in the lease agreements. The total future lease payments to be received are \$22,120 thousand and \$29,560 thousand, respectively. The lease income recognized for both the years 2025 and 2024 was \$7,440 thousand.

c. Purchases of goods and expense

Account	Related Party Category/Name	For the Year Ended December 31	
		2025	2024
Purchase	Subsidiaries	<u>\$ 56,798</u>	<u>\$ 65,234</u>
Expense	Subsidiaries	\$ 559	\$ 457
	Sub-subsidiaries	-	674
	Associates	<u>450</u>	<u>822</u>
		<u>\$ 1,009</u>	<u>\$ 1,953</u>

There were no significant differences in purchase price and transaction terms between related parties and third parties.

d. Receivables from related parties (not including loans to related parties)

Account	Related Party Category/Name	December 31	
		2025	2024
Trade receivables	Subsidiaries	\$ 2,373	\$ 4,202
	Sub-subsidiaries	2,520	393
	Associates	-	510
	Related party in substance	<u>775</u>	<u>643</u>
		<u>\$ 5,668</u>	<u>\$ 5,748</u>
Other receivables	Subsidiaries	<u>\$ 4,919</u>	<u>\$ 834</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2025 and 2024, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties (not including loans from related parties)

Account	Related Party Category/Name	December 31	
		2025	2024
Trade payables	Subsidiaries	\$ 15,360	\$ 17,930
Other payables	Subsidiaries	\$ 693	\$ 342
	Related party in substance	<u>50</u>	<u>50</u>
		<u>\$ 743</u>	<u>\$ 392</u>

The outstanding trade payables to related parties are unsecured.

f. Lease arrangement

Account	Related Party Category/Name	December 31	
		2025	2024
Lease liabilities	Related party in substance	\$ 1,424	\$ 2,123

Account	Related Party Category/Name	For the Year Ended December 31	
		2025	2024
Interest expense	Related party in substance	\$ 21	\$ 29

g. Loans to related parties

Other receivables

Related Party Category/Name	December 31	
	2025	2024
MAX KINIK Seimitsu Co., Ltd.	\$ 240,960	\$ -

Interest income

Related Party Category/Name	For the Year Ended December 31	
	2025	2024
MAX KINIK Seimitsu Co., Ltd.	\$ 3,697	\$ -

The Company's intercompany loans are unsecured and bear interest rates comparable to market rates. These loans are expected to be collected within one year, and no expected credit losses were recognized after assessment.

h. Endorsements and guarantees provided for others

Other receivables

Related Party Category/Name	December 31	
	2025	2024
MAX KINIK Seimitsu Co., Ltd.		
Amount of guarantee	\$ 240,960	\$ -
Amount utilized	\$ -	\$ -

i. Compensation of key management personnel

The amount of the remuneration of directors and key management personnel for the years ended December 31, 2025 and 2024 were as follows:

	For the Year Ended December 31	
	2025	2024
Short-term employee benefits	\$ 53,540	\$ 46,158
Post-employment benefits	555	584
Share-based payments	<u>43,815</u>	<u>27,234</u>
	<u>\$ 97,910</u>	<u>\$ 73,976</u>

The remuneration of directors and key executives was determined by the remuneration committee according to the performance of individuals and market trends.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2025 and 2024 were as follows:

Significant Commitments

The Company had the following contractual commitments with equipment suppliers:

	December 31	
	2025	2024
Total contract price		
USD	\$ 12,133	\$ 3,031
JPY	2,453,619	1,244,060
NTD	746,188	250,124
Unpaid amounts of the purchase		
USD	8,934	2,651
JPY	1,204,294	757,102
NTD	387,264	128,631

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD:

To enhance the Company's competitive advantage in the industry and increase opportunities for cross-sector collaboration, the Company's board of directors resolved on March 10, 2026, to approve an investment in JC Nexus Fund, L.P. in installments within an amount not exceeding US\$7 million.

30. OTHER ITEMS: NONE**31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2025

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 55,891	31.43	\$ 1,756,654
JPY	1,285,774	0.2008	258,183
CNY	10,471	4.496	47,078
Non-monetary items			
Investments accounted for using the equity method			
THB	831,933	1.0019	833,514
JPY	1,634,990	0.2008	328,306

Financial liabilities

Monetary items			
USD	3,159	31.43	99,287
JPY	130,433	0.2008	26,193

December 31, 2024

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 45,569	32.785	\$ 1,493,987
JPY	1,160,486	0.2099	243,586
CNY	8,622	4.478	38,610
Non-monetary items			
Investments accounted for using the equity method			
THB	267,021	0.9623	256,954

(Continued)

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 3,026	32.785	\$ 99,211
JPY	31,989	0.2099	6,714
			(Concluded)

The following information is presented by the functional currency of the Company which holds foreign currencies. The exchange rate is between the functional currency and presentation currency. The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currency	For the Year Ended December 31			
	2025		2024	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Losses	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains
NTD	1 (NTD:NTD)	<u>\$ (5,280)</u>	1 (NTD:NTD)	<u>\$ 86,617</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Significant marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)
- 4) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)

b. Information about reinvestment business (Table 5)

c. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 6)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
 - c) The amount of property transactions and the amount of the resultant gains or losses
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
 - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

TABLE 1

KINIK COMPANY

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing (Note 4)	Business Transaction Amount (Note 5)	Reasons for Short-term Financing (Note 6)	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Notes 7 and 9)	Aggregate Financing Limit (Notes 8 and 9)	Note
													Item	Value			
0	Kinik Company	MAX KINIK Seimitsu Co., Ltd.	Other receivables	Yes	\$ 269,040	\$ 240,960	\$ 240,960	2.00	Short-term financing	\$ -	Use of working capital for operations	\$ -	Promissory note	\$ 245,779	\$ 814,461	\$ 1,628,922	

Note 1: The explanations for the “Number” column are as follows:

- a. Enter “0” for the issuer.
- b. For investee companies, assign sequential numbers starting from 1 by company.

Note 2: Amounts recorded under receivables from related parties, receivables from related enterprises, shareholder transactions, advances, temporary payments, and similar items that are of a financing nature must be entered in this column.

Note 3: The highest balance of funds lent to others during the year.

Note 4: The nature of funds lent should indicate whether they are for ordinary business transactions or represent necessary short-term financing.

Note 5: For funds lent related to ordinary business transactions, the amount of business transactions should be reported. The business transaction amount refers to the total business dealings between the lending company and the counterparty during the most recent fiscal year.

Note 6: For funds lent for necessary short-term financing, the reasons for the loan and the intended use of the funds by the recipient must be specifically disclosed (e.g., repayment of borrowings, acquisition of equipment, working capital, etc.).

Note 7: Calculated based on 10% of the Company’s net assets.

Note 8: Calculated based on 20% of the Company’s net assets.

Note 9: The Company’s financing limits are based on the net equity of the most recent financial statements audited (or reviewed) by certified public accountants. As of December 2025, the Company announced its financing limit for each borrower for NT\$756,090 thousand and its aggregate financing limit for NT\$1,512,180 thousand. Since the financial statements for the year of 2025 had not yet been audited by certified public accountants, the limits were based on and announced according to the third quarter 2025 financial statements, resulting in discrepancies compared to the aforementioned amounts.

TABLE 2

KINIK COMPANY

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Notes 3 and 4)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Notes 3 and 4)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship (Note 2)											
0	Kinik Company	MAX KINIK Seimitsu Co., Ltd.	b	\$ 1,628,922	\$ 269,040	\$ 240,960	\$ -	\$ -	2.96	\$ 3,257,844	Y	N	N	

- Note 1: Explanations for the “Number” column:
- a. Enter “0” for the issuer.
 - b. For investee companies, assign sequential numbers starting from 1 by company.
- Note 2: The relationships between the guarantor and the guaranteed party are classified into the following seven types. Indicate the type accordingly:
- a. Companies with business dealings.
 - b. Companies in which the Company directly or indirectly holds more than 50% of voting shares.
 - c. Companies that directly or indirectly hold more than 50% of the Company’s voting shares.
 - d. Companies where direct and indirect ownership of voting shares exceeds 90% between the companies.
 - e. Companies providing mutual guarantees under contracts due to engineering contracts between peers or co-developers.
 - f. Companies guaranteed by all shareholders proportionate to their shareholding under joint investment arrangements.
 - g. Companies providing joint guarantees for performance under pre-sale housing contracts in accordance with consumer protection regulations.
- Note 3:
- a. The limit on endorsements or guarantees provided for each borrower is 20% of the Company’s net equity.
 - b. The aggregate endorsement/guarantee limit is 40% of the Company’s net equity.
- Note 4: The Company’s limit on endorsements or guarantees are based on the net equity of the most recent financial statements audited (or reviewed) by certified public accountants. As of December 2025, the Company announced its limits on endorsement/guarantee given on behalf of each party for NT\$1,512,180 thousand and its aggregate endorsement/guarantee limit for NT\$3,024,360 thousand. Since the financial statements for the year of 2025 had not yet been audited by certified public accountants, the announced limits were based on the third quarter 2025 financial statements, resulting in discrepancies compared to the aforementioned amounts.

TABLE 3

KINIK COMPANY

SIGNIFICANT MARKETABLE SECURITIES HELD
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2025				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kinik Company	<u>Share(s)</u>							
	Alliance Venture Capital Limited Partnership	-	Financial assets at fair value through profit or loss - non-current	-	\$ 32,623	14.29	\$ 32,623	
	Wisdom Capital Limited Partnership	-	Financial assets at fair value through profit or loss - non-current	-	190,426	14.40	190,426	
	CHIFF TECHNOLOGY INC.	-	Financial assets at fair value through profit or loss - non-current	1,705,000	131,991	9.19	131,991	
	KGI Financial Holding Co., Ltd. - Preferred B Share	-	Financial assets at fair value through other comprehensive income - non-current	11,945,000	94,007	0.06	94,007	
	RETECH ENVIRONMENTAL SOLUTIONS CO., LTD.	-	Financial assets at fair value through other comprehensive income - non-current	400,000	56,000	1.68	56,000	
	<u>Corporate bond</u>							
	British Telecommunications	-	Financial assets at fair value through other comprehensive income - non-current	-	38,050	-	38,050	
	Nasdaq Inc.	-	Financial assets at fair value through other comprehensive income - non-current	-	142,092	-	142,092	
	United States of America - Bond	-	Financial assets at fair value through other comprehensive income - non-current	-	92,404	-	92,404	

Note 1: Securities in this table refer to shares, bonds, beneficiary certificates and securities derived from the above items in accordance with IFRS 9 “Financial Instruments”.

Note 2: This schedule presents the securities that the Company has determined, based on materiality, should be disclosed.

Note 3: For information about investment in subsidiaries and associates, please refer to Tables 5 and 6.

TABLE 4

KINIK COMPANY

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Receivables from Related Parties Balance		Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
			Subject (Note 1)	Ending Balance		Amount	Actions Taken		
Kinik Company	MAX KINIK Seimitsu Co., Ltd.	Subsidiaries	Other receivables	\$ 244,574	Note 2	\$ -	-	\$ -	\$ -

Note 1: The calculation of turnover days does not include other receivables from related parties.

Note 2: Mainly consists of other receivables; therefore, not applicable for the calculation of turnover days.

TABLE 5

KINIK COMPANY

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2025			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2025	December 31, 2024	Shares	%	Carrying Amount			
Kinik Company	Hongia Industry Co., Ltd. KINIK-THAI CO., LTD.	New Taipei, Taiwan Thailand	Metal products manufacturing Grinding wheel products manufacturing	\$ 96,525 262,488	\$ 96,525 262,488	2,925,000 481,800	100.0 47.2	\$ 48,162 301,112	\$ (23,149) 69,342	\$ (23,747) 33,476	Subsidiary Subsidiary
	KINLI Investment Co., Ltd. MAX KINIK Seimitsu Co., Ltd.	New Taipei, Taiwan Japan	General investment Grinding wheel products manufacturing	20,000 428,703	20,000 -	2,000,000 800,000	100.0 100.0	19,225 328,306	(235) (58,970)	(235) (64,206)	Subsidiary Subsidiary
	MAX KINIK Grinding Technology Co., Ltd.	Thailand	Grinding wheel products manufacturing	356,614	-	19,319,312	77.7	532,402	5,531	(1,520)	Subsidiary
	Winsheng Material Technology Co., Ltd.	New Taipei, Taiwan	Electronic parts and components manufacturing	-	40,000	-	-	-	(64,823)	(4,086)	Note 2
	KINLI Asset Management & Development Co., Ltd.	New Taipei, Taiwan	Real estate investment and development	20,000	-	2,000,000	100.0	19,985	(15)	(15)	Subsidiary

Note 1: Information on investments in mainland China, please refer to Table 6.

Note 2: Formerly an associate, the Company ceased applying the equity method upon loss of significant influence in June 2025.

TABLE 6

KINIK COMPANY

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2025	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2025	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2025	Accumulated Repatriation of Investment Income as of December 31, 2025	Note
					Outward	Inward							
DONGGUAN KINIK TRADING CO., LTD.	Trade and commerce in grinding wheels	US\$ 500 thousand	c. 1)	\$ 8,881	\$ -	\$ -	\$ 8,881	\$ (1,156)	100	\$ (1,156) b.	\$ 7,397	\$ -	

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2025	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$8,881	\$8,881 (US\$274 thousand)	\$5,093,166 (Note 3)

Note 1: There are three types of investment methods, and they indicated below:

- a. Direct investments in Mainland China.
- b. Reinvestment in Mainland China through a third regional company.
- c. Other methods.
 - 1) The investment is made directly through KINLI Investment Co., Ltd.

Note 2: Recognized as gains or losses on investment in current period, the basis for recognizing investment gain and loss is divided into the following three types:

- a. If the investment is under preparation and no investment profit or loss has been recognized, it should be noted.
- b. The basis for recognition of investment profit or loss is classified into the following three types and should be disclosed.
 - 1) Based on the financial statements audited by a ROC CPA firm cooperating with an international CPA firm.
 - 2) Based on the financial statements audited by accountants of parent company in Taiwan.
 - 3) Other financial statements not audited by accountants.

Note 3: The Company’s consolidated net worth is $8,488,610 \times 60\% = 5,093,166$.