KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND
REVIEW REPORT OF INDEPENDENT
MARCH 31, 2026 AND 2025

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.
The English version of consolidated financial statements and review report of independent accountants are not reviewed and audited.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(2026) PWCR 26000363

To the Board of Directors and Shareholders of KNH ENTERPRISE CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of KNH Enterprise Co., Ltd. and its subsidiaries (the "KNH Group") as of March 31, 2026 and 2025, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods from January 1 to March 31, 2026 and 2025, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and "International Accounting Standard" 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission and issued in effect. Our responsibility is to make a conclusion of the consolidated financial statements based on the review result.

Scope of Review

Aside from the matters described in the basis for qualified opinion paragraph, we conducted our reviews in accordance with the TWSRE No. 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Opinion

As described in Note 4(3) to the consolidated financial statements, the financial statements of certain non-significant subsidiaries included in the above consolidated financial statements for the same periods were not reviewed by the auditors. As of March 31, 2026 and 2025, the total assets of these non-significant subsidiaries amounted to NT$60,399 thousand and NT$160,122 thousand, respectively, representing 1% and 2% of the consolidated total assets, respectively; and the total liabilities amounted to NT$39,647 thousand and NT$3,951 thousand, respectively, representing 1% and 0% of the consolidated total liabilities, respectively. For the three months ended March 31, 2026 and

2025, the total comprehensive income (loss) amounted to NT$26 thousand and NT$(3,310) thousand, respectively, representing 0% and (5%) of the consolidated total comprehensive income (loss), respectively.

Qualified Opinion

Based on our reviews, aside from investees under the equity method of non-major subsidiaries and stated in the basis of the qualified conclusion and the financial statements at the same period that were not reviewed by us which may pose effects on the adjustments and disclosure in the consolidated financial statements, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group for March 31, 2026 and 2025, and the consolidated financial performance and consolidated cash flows for January 1 to March 31, 2026 and 2025 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission and issued in effect.

Huang, Pei-Chuan   Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

May 11, 2026

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2026, DECEMBER 31, 2025 AND MARCH 31, 2025

Unit: NTD thousand

	Assets	Notes	March 31, 2026 Amount	%	December 31, 2025 Amount	%	March 31, 2025 Amount	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,209,688	20	$ 1,317,958	22	$ 1,249,784	19
1136	Financial assets at amortized cost - current	6(2)	13,304	-	13,304	-	170,000	3
1140	Contract assets - current	6(15)	15,670	-	20,809	-	4,662	-
1150	Notes receivable, net	6(3)	4,773	-	5,981	-	6,086	-
1170	Accounts receivable, net	6(3)	753,475	13	733,350	12	808,045	13
1200	Other receivables	4(3)	27,425	1	34,940	1	11,863	-
1210	Other receivables - related parties	7	32	-	-	-	10	-
1220	Current income tax assets		413	-	1,049	-	1,218	-
130X	Inventories	6(4)	607,283	10	596,508	10	708,265	11
1410	Prepayments		31,141	1	39,422	1	58,189	1
11XX	**Total current assets**		2,663,204	45	2,763,321	46	3,018,122	47
	Non-current assets							
1535	Financial assets at amortized cost - non-current	6(2) & 8	1,336	-	1,331	-	1,017	-
1600	Property, plant and equipment	6 (5) & 8	3,157,545	54	3,188,482	53	3,317,719	52
1755	Right-of-use assets	6(6) & 8	3,524	-	3,661	-	1,045	-
1780	Intangible assets		6,304	-	6,264	-	9,720	-
1840	Deferred tax assets		70,465	1	71,240	1	78,333	1
1900	Other non-current assets	6(7)	19,233	-	21,718	-	19,704	-
15XX	**Total non-current assets**		3,258,407	55	3,292,696	54	3,427,538	53
1XXX	**Total assets**		$ 5,921,611	100	$ 6,056,017	100	$ 6,445,660	100

(Continued)

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2026, DECEMBER 31, 2025 AND MARCH 31, 2025

Unit: NTD thousand

	Liabilities and Equity	Notes	March 31, 2026 Amount	%	December 31, 2025 Amount	%	March 31, 2025 Amount	%
	Current liabilities							
2100	Short-term borrowings	6(8)	$ 263,566	4	$ 235,523	4	$ 171,155	3
2130	Contract liabilities - current	6(15)	7,489	-	1,536	-	317	-
2150	Notes payable		6,773	-	7,987	-	12,702	-
2170	Accounts payable		334,447	6	346,333	6	349,711	5
2200	Other payables	6(9)	250,380	4	264,287	4	297,576	5
2220	Other payables - related parties	7	924	-	821	-	757	-
2230	Current income tax liabilities		-	-	-	-	6,223	-
2280	Lease liabilities - current		1,137	-	1,164	-	513	-
2320	Long-term liabilities due in one year or one business cycle	6(10)	386,313	7	456,313	8	983,813	15
2399	Other current liabilities - Others		19,388	-	20,230	-	3,575	-
21XX	**Total current liabilities**		1,270,417	21	1,334,194	22	1,826,342	28
	Non-current liabilities							
2540	Long-term borrowings	6(10)	2,513,087	43	2,499,666	41	1,841,901	29
2570	Deferred tax liabilities		55,102	1	51,536	1	57,635	1
2580	Lease liabilities - non-current		2,360	-	2,453	-	263	-
2600	Other non-current liabilities		65,051	1	64,756	1	80,332	1
25XX	**Total non-current liabilities**		2,635,600	45	2,618,411	43	1,980,131	31
2XXX	**Total liabilities**		3,906,017	66	3,952,605	65	3,806,473	59
	Equity attributable to owners of the parent							
	Share capital	6(12)						
3110	Share capital - common stock		1,953,628	33	1,953,628	32	1,953,628	30
	Capital surplus	6(13)						
3200	Capital surplus		26,989	-	26,989	1	26,989	-
	Retained earnings	6(14)						
3310	Legal reserve		363,816	6	363,816	6	363,816	6
3350	(Accumulated deficits) Unappropriated earnings		(417,165)	(7)	(316,471)	(5)	195,365	3
	Other Equity							
3400	Other Equity		88,326	2	75,450	1	99,389	2
31XX	**Total equity attributable to owners of the parent**		2,015,594	34	2,103,412	35	2,639,187	41
3XXX	**Total Equity**		2,015,594	34	2,103,412	35	2,639,187	41
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**Total liabilities and equity**		$ 5,921,611	100	$ 6,056,017	100	$ 6,445,660	100

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

Chairman: Tai, Hwa-Ming President: Tai, Hsiu-Ling Accounting Director: Lai, Ting-Fu

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
AS OF JANUARY 1 TO MARCH 31, 2026 AND 2025

Unit: NTD thousand
(Except for earnings (loss) per share, which are stated in NTD)

	Items	Notes	2026/1/1－3/31 Amount	%	2025/1/1－3/31 Amount	%
4000	Operating revenue	6(15)	$ 677,599	100	$ 677,650	100
5000	Operating costs	6(4)(20)	(612,257)	(90)	(625,666)	(92)
5900	Operating margin		65,342	10	51,984	8
	Operating expenses	6(20)				
6100	Selling expenses		(102,919)	(15)	(93,253)	(14)
6200	General and administrative expenses		(42,649)	(6)	(43,569)	(7)
6300	Research and development expenses		(22,901)	(4)	(8,690)	(1)
6450	Expected credit impairment gain (loss)	12(2)	53	-	(25)	-
6000	Total operating expenses		(168,416)	(25)	(145,537)	(22)
6900	Operating losses		(103,074)	(15)	(93,553)	(14)
	Non-operating income and expenses					
7100	Interest income	6(16)	3,278	-	252	-
7010	Other income	6(17)	13,289	2	9,651	1
7020	Other gains and losses	6(5)(18)	4,408	1	149,487	22
7050	Finance costs	6(19)	(17,497)	(3)	(14,732)	(2)
7000	Total non-operating income and expenses		3,478	-	144,658	21
7900	**Net profit (loss) before income tax**		(99,596)	(15)	51,105	7
7950	Income tax expense	6(21)	(1,098)	-	(2,387)	-
8200	**Net profit (loss) for the current period**		($ 100,694)	(15)	$ 48,718	7
	Other comprehensive income, net Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		$ 16,158	2	$ 21,240	3
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(21)	(3,282)	-	(3,536)	-
8360	Other comprehensive income (loss) that will be reclassified to profit or loss		12,876	2	17,704	3
8300	**Other comprehensive income, net**		$ 12,876	2	$ 17,704	3
8500	**Total comprehensive income for the current period**		($ 87,818)	(13)	$ 66,422	10
	Net profit attributable to:					
8610	Owners of the parent		($ 100,694)	(15)	$ 48,718	7
	Total comprehensive income attributable to:					
8710	Owners of the parent		($ 87,818)	(13)	$ 66,422	10
	Earnings (loss) per share	6(22)				
9750	Basic earnings (loss) per share		($ 0.52)		$ 0.25	
9850	Diluted earnings (loss) per share		($ 0.52)		$ 0.25	

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

Chairman: Tai, Hwa-Ming　　President: Tai, Hsiu-Ling　　Accounting Director: Lai, Ting-Fu

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
AS OF JANUARY 1 TO MARCH 31, 2026 AND 2025

Unit: NTD thousand

		Equity attributable to owners of the parent							
			Capital surplus		Retained earnings		Other Equity		
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Unappropriated retained earnings (Accumulated deficits)	Financial statements translation differences of foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
January 1, 2025 – March 31, 2025									
Balance at January 1, 2025		$ 1,953,628	$ 25,631	$ 1,358	$ 363,816	$ 185,720	$ 89,881	($ 8,196)	$ 2,611,838
Net profit for the current period		-	-	-	-	48,718	-	-	48,718
Other comprehensive income for current period		-	-	-	-	-	17,704	-	17,704
Total comprehensive income for the current period		-	-	-	-	48,718	17,704	-	66,422
Appropriations of 2024 earnings									
Cash dividends distributed to shareholders	6(14)	-	-	-	-	(39,073)	-	-	(39,073)
Balance at March 31, 2025		$ 1,953,628	$ 25,631	$ 1,358	$ 363,816	$ 195,365	$ 107,585	($ 8,196)	$ 2,639,187
January 1, 2026 – March 31, 2026									
Balance at January 1, 2026		$ 1,953,628	$ 25,631	$ 1,358	$ 363,816	($ 316,471)	$ 83,646	($ 8,196)	$ 2,103,412
Net loss for the current period		-	-	-	-	(100,694)	-	-	(100,694)
Other comprehensive income for current period		-	-	-	-	-	12,876	-	12,876
Total comprehensive income for the current period		-	-	-	-	(100,694)	12,876	-	(87,818)
Balance at March 31, 2026		$ 1,953,628	$ 25,631	$ 1,358	$ 363,816	($ 417,165)	$ 96,522	($ 8,196)	$ 2,015,594

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

Chairman: Tai, Hwa-Ming President: Tai, Hsiu-Ling Accounting Director: Lai, Ting-Fu

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF JANUARY 1 TO MARCH 31, 2026 AND 2025

Unit: NTD thousand

	Notes	2026/1/ – 3/31	2025/1/1 – 3/31
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit (loss) before income tax for the current period		($ 99,596)	$ 51,105
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12(2)	(53)	25
Depreciation expense	6(5)(6)(20)	54,848	42,074
Amortization	6(20)	1,027	1,308
Property, plant and equipment transferred to expenses	6(5)	479	228
Gains from disposal of property, plant and equipment	6(18)	(591)	(55)
Interest income	6(16)	(3,278)	(252)
Interest expense	6(19)	17,129	14,194
Changes in operating assets and liabilities			
Net changes in operating assets			
Contract assets - current		5,139	(1,451)
Notes receivable		1,208	(100)
Accounts receivable		(20,089)	15,323
Other receivables		7,852	(387)
Other receivables - related parties		(32)	(5)
Inventories		(10,775)	(563)
Prepayments		8,281	(4,991)
Net changes in operating liabilities			
Contract liabilities - current		5,953	53
Notes payable		(1,214)	4,454
Accounts payable		(11,886)	(25,639)
Other payables		(11,839)	(50,894)
Other payables - related parties		103	(49)
Other current liabilities		(842)	(136)
Other non-current liabilities		295	1,089
Cash inflows (outflows) generated from operations		(57,881)	45,331
Interest received		2,941	179
Interest paid		(17,287)	(14,209)
Income taxes received (paid)		597	(3,514)
Net cash inflows (outflows) from operating activities		(71,630)	27,787

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KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF JANUARY 1 TO MARCH 31, 2026 AND 2025

Unit: NTD thousand

	Notes	2026/1/ – 3/31	2025/1/1 – 3/31
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial assets at amortized cost		$ -	($ 170,000)
Purchase of property, plant and equipment	6(23)	(21,035)	(27,433)
Capitalization of interest on acquisition of property, plant and equipment	6(5)(23)	(203)	(3,261)
Proceeds from disposal of property, plant and equipment		591	55
Acquisition of intangible assets		(1,050)	(216)
Increase in guarantee deposits paid		(2,226)	(1,145)
Decrease in guarantee deposits paid		4,649	4,234
Decrease (Increase) in other non-current assets		62	(11)
Net cash outflows used in investing activities		(19,212)	(197,777)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	6(24)	22,850	-
Repayments of short-term borrowings	6(24)	(3,000)	(45,136)
Proceeds from long-term borrowings (including those due within one year)	6(24)	200,000	120,000
Repayment of long-term borrowings (including those due within one year)	6(24)	(256,579)	(306,578)
Increase in guarantee deposits received	6(24)	335	185
Decrease in guarantee deposits received	6(24)	(387)	(231)
Payments of lease liabilities	6(6)(24)	(328)	(153)
Net cash outflows from financing activities		(37,109)	(231,913)
Effect of Exchange Rate Changes		19,681	21,311
Decrease in cash and cash equivalents of current period		(108,270)	(380,592)
Cash and cash equivalents at beginning of period		1,317,958	1,630,376
Cash and Cash Equivalents at End of Period		$ 1,209,688	$ 1,249,784

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

Chairman: Tai, Hwa-Ming President: Tai, Hsiu-Ling Accounting Director: Lai, Ting-Fu

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

AS OF MARCH 31, 2026 AND 2025 (Q1)

Unit: NTD thousand

(except as otherwise indicated)

1. HISTORY AND ORGANIZATION

KNH Enterprise Co., Ltd. (the "Company") was incorporated in December 1971 under the provisions of the Company Act of the Republic of China. (R.O.C.) In November 1994, the Company's stocks were officially listed on the Taiwan Stock Exchange. The Company and subsidiaries (collectively referred herein as the "Group") are primarily engaged in manufacturing and sales of household and hygiene goods, non-woven fabric products, and machinery equipment.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were issued after approval by the Board of Directors on May 11, 2026.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to the effective International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

Effective new standards, interpretations and amendments endorsed by the FSC effective from 2026 are as follows:

New Standards, Amendments and Interpretations	Effective Date by International Accounting Standards Board
Amendments to IFRS No. 9 and IFRS No. 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS No. 9 and IFRS No. 7 "Contracts Referencing Nature-Dependent Electricity"	January 1, 2026
IFRS 17, "Insurance contracts"	January 1, 2023
Amendments to IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "First-time adoption of IFRS 17 and IFRS 9 - Comparative information"	January 1, 2023
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Amendments and Interpretations	Effective Date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, "Sale of contribution of assets between an investor and its associate or joint venture"	To be determined by International Accounting Standards Board
IFRS No. 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note)
IFRS No. 19 "Subsidiaries without Public Accountability: Disclosures"	January 1, 2027
Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"	January 1, 2027

Note: In a press release of the FSC on September 25, 2025, it was announced that International Financial Reporting Standard No. 18 (hereinafter referred to as "IFRS 18") will be applicable to publicly listed companies starting in 2028. Additionally, companies may elect to apply IFRS 18 early upon FSC approval.

Except for the following IFRS 18 "presentation and disclosure in the financial statements" pending evaluation, the Group has assessed that the above standards and interpretations have no significant impact on the Group's financial position and financial performance:

IFRS No. 18 "Presentation and Disclosure in Financial Statements" replaces IAS No. 1 and updates the structure of the comprehensive income statement, adds the disclosure in management performance measurement, and strengthens the application in the summary of the main financial statements and notes and segmentation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In addition to compliance statement, basis of preparation, basis of consolidation, and newly sections described as follows, the critical accounting policy is the same as stated in Note 4 of the Consolidated Financial Statements for 2025. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission and issued in effect.

B. This Consolidated Report shall be read in conjunction with the 2025 Consolidated Financial Report.

(2) Basis of preparation

A. In addition to defined benefit liabilities recognized based on the net amount of pension fund assets less the present value of defined benefit obligation, the consolidated financial statements have been prepared based on the historical cost.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission and issued in effect (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

This principle of preparation of this Consolidated Report is the same as the 2025 Consolidated Financial Report.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of Investor	Name of Subsidiary	Nature of Business	March 31, 2026	December 31, 2025	March 31, 2025	Explanatory Notes
KNH Enterprise Co., Ltd.	K.Jie Water & Environmental Engineering Co., Ltd.	Manufacture, sale and agency of filter material relevant products	100	100	100	Note 3
KNH Enterprise Co., Ltd.	OUTLOOK INVESTMENT PTE LTD	Holding and investments	100	100	100	
KNH Enterprise Co., Ltd.	Kang Yu Co., Ltd.	Land development	-	-	100	Note 1 Note 3
OUTLOOK INVESTMENT PTE LTD	KNH (Yangzhou) Co., Ltd.	Manufacture of non-woven fabric, processed products and related products, design and assembly of processing equipment and dispensers, and wholesale, import and export of parts of aforementioned products, and other related businesses	100	100	100	
OUTLOOK INVESTMENT PTE LTD	Shanghai KNH International Trading Co., Ltd.	Sale of nonwoven fabric and related processing products, and daily necessities; wholesale, export and import of relevant machine and parts	-	-	100	Note 2 Note 3

Note 1: On November 14, 2025, the Board of Directors approved the dissolution of Kang Yu Co., Ltd. The liquidation was completed on March 23, 2026, and the estimated returned capital of NT$12,168 was reclassified as other receivables, which remained uncollected as of March 31, 2026.

Note 2: On July 4, 2025, the Board of Directors approved to cancel Shanghai KNH International Trading Co., Ltd., and on October 30, 2025, the liquidation was completed.

Note 3: Because the definition of "major subsidiary" is not met, its financial report for March 31, 2026 and 2025 therefore were not reviewed by us.

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

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

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Employee benefits

The pension cost for the interim period is calculated based on the beginning of the year to the end of the current period using the pension cost ratio determined by actuarial calculation of the end of the previous financial year. Adjustments will be made if there are significant market changes and significant reductions, settlements, or other significant one-off events subsequent to the closing date, and relevant information will be disclosed in according with the policy described previously.

(5) Income taxes

The tax expense for the period comprises current and deferred tax. The income tax expense for the interim period is calculated based on the estimated annual average effective tax rate applied to pre-tax profits and losses for the interim period, and the relevant information is disclosed in accordance with the policy previously mentioned.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements does not require management to make critical judgements in applying the Group's accounting policies. Management makes critical assumptions and estimates concerning future events based on the information on the balance sheet date. Significant accounting estimates and assumptions made may differ from the actual results. Historical experience and other factors will be considered for continuous evaluation and adjustment. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Evaluation of inventories

Due to a wide variety of technologies and production methods, the non-woven industry continues to develop different innovative materials and product applications. As such, new consumer products are constantly being introduced to meet market trends and customer needs which leads to a higher risk of decline in inventory value. The Group measures inventories at the lower of cost and net realizable value, and assesses whether the value of inventories has declined and any losses incurred based on the clearance of inventory are examined by management periodically.

As the net realizable value used in inventory valuation and the assessment as to whether losses were incurred involve subjective judgement and high uncertainty in estimation, and inventories and allowance for valuation loss are material to the consolidated financial statements, there might be material changes to the evaluation.

As of March 31, 2026, the carrying amount of inventories was NT$607,283.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2026	December 31, 2025	March 31, 2025
Petty cash and cash on hand	$ 196	$ 247	$ 235
Checking accounts deposits and Demand deposits	857,013	462,988	1,249,549
Short-term bills	-	94,290	-
Time deposits	352,479	760,433	-
	$ 1,209,688	$ 1,317,958	$ 1,249,784

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group's restricted cash and cash equivalents were classified as financial assets at amortized cost. Please refer to Note 8 for details.

(2) Financial assets at amortized cost

Items	March 31, 2026	December 31, 2025	March 31, 2025
Current items:			
Demand deposits	$ 10,169	$ 10,169	$ -
Time deposits	3,135	3,135	170,000
	$ 13,304	$ 13,304	$ 170,000
Non-current items:			
Time deposits	$ 1,336	$ 1,331	$ 1,017

A. The breakdown of financial assets measured at amortized cost recognized in profit or loss is as follows:

	2026/1/1 – 3/31	2025/1/1 – 3/31
Interest income	$ 15	$ -

B. Without considering the collateral or other credit enhancements held, the financial assets measured at amortized cost are most representative of the Group. The maximum credit risk was NT$14,640, NT$14,635 and NT$171,017 at March 31, 2026, December 31, 2025 and March 31, 2025, respectively.

C. Please refer to Note 8 for the Group's financial assets measured at amortized cost as collaterals.

D. Please refer to Note 12(2) for the credit risk information of financial assets measured at amortized cost. The counterparties of the Group's investment in certificates of deposit are financial institutions with good credit quality, and the possibility of default is expected to be very low.

(3) Notes and accounts receivable, net

	March 31, 2026	December 31, 2025	March 31, 2025
Notes receivable	$ 4,773	$ 5,981	$ 6,086
Accounts receivable	$ 756,511	$ 736,422	$ 811,172
Less: Loss allowance	(3,036)	(3,072)	(3,127)
	$ 753,475	$ 733,350	$ 808,045

A. The ageing analysis of accounts receivable and notes receivable is as follows:

	March 31, 2026		December 31, 2025		March 31, 2025	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 727,875	$ 4,773	$ 690,543	$ 5,981	$ 777,284	$ 6,086
Up to 30 days	20,332	-	27,861	-	21,010	-
31 to 90 days	1,957	-	12,878	-	7,465	-
91 to 180 days	3,639	-	805	-	1,128	-
Over 181 days	2,708	-	4,335	-	4,285	-
	$ 756,511	$ 4,773	$ 736,422	$ 5,981	$ 811,172	$ 6,086

The above ageing analysis was based on past due date.

B. As of March 31, 2026, December 31, 2025 and March 31, 2025, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2025, the balance of receivables from contracts with customers amounted to NT$832,481.

C. As of March 31, 2026, December 31, 2025 and March 31, 2025, without taking into account any collateral held or other credit enhancements, the maximum exposure that best represents the Group to credit risk were NT$4,773, NT$5,981, and NT$6,086, respectively, and accounts receivable that best represents the Group as of March 31, 2026, December 31, 2025 and March 31, 2025 were NT$753,475, NT$733,350 and NT$808,045, respectively.

D. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

E. As of March 31, 2026, December 31, 2025, and March 31, 2025, the Group holds collateral as security for accounts receivable as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
Depository pledge	$ 18,300	$ 17,400	$ 17,760
Commercial paper guarantee	15,000	15,000	15,000
Pledge of immovables	9,100	9,100	9,100
Performance bond	3,000	50	50
Bank guarantee for performance bond	2,800	2,800	2,800
	$ 48,200	$ 44,350	$ 44,710

(4) Inventories

	March 31, 2026		
	Cost	Allowance for valuation loss	Carrying amount
Raw materials	$ 252,927	($ 14,058)	$ 238,869
Finished goods	403,470	(58,537)	344,933
Projected machine inventories	1,432	-	1,432
Inventory in transit	22,049	-	22,049
Total	$ 679,878	($ 72,595)	$ 607,283

	December 31, 2025		
	Cost	Allowance for valuation loss	Carrying amount
Raw materials	$ 251,156	($ 13,094)	$ 238,062
Finished goods	394,814	(56,296)	338,518
Projected machine inventories	1,134	-	1,134
Inventory in transit	18,794	-	18,794
Total	$ 665,898	($ 69,390)	$ 596,508

	March 31, 2025		
	Cost	Allowance for valuation loss	Carrying amount
Raw materials	$ 305,493	($ 4,742)	$ 300,751
Finished goods	413,553	(15,663)	397,890
Projected machine inventories	46	-	46
Inventory in transit	9,578	-	9,578
Total	$ 728,670	($ 20,405)	$ 708,265

The cost of inventories recognized as expense for the year:

	2026/1/1 – 3/31	2025/1/1 – 3/31
Cost of goods sold	$ 573,446	$ 602,977
Loss on market value decline	3,185	4,018
Revenue from sale of scraps	(1,492)	(2,552)
Inventory surplus	(20)	(22)
Others	24,523	18,922
Cost of goods sold	$ 599,642	$ 623,343

(5) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total
January 1, 2026								
Cost	$ 843,920	$ 2,225,753	$ 2,580,511	$ 9,528	$ 100,912	$ 156,366	$ 40,578	$ 5,957,568
Accumulated depreciation and impairment	(39,150)	(672,154)	(1,851,571)	(5,480)	(67,755)	(132,976)	-	(2,769,086)
	$ 804,770	$ 1,553,599	$ 728,940	$ 4,048	$ 33,157	$ 23,390	$ 40,578	$ 3,188,482
2026								
January 1	$ 804,770	$ 1,553,599	$ 728,940	$ 4,048	$ 33,157	$ 23,390	$ 40,578	$ 3,188,482
Additions	-	828	796	-	77	3,954	13,673	19,328
Transfers (Note)	-	2,345	3,859	-	276	4,919	(11,878)	(479)
Depreciation expense	-	(14,649)	(34,168)	(414)	(3,504)	(1,768)	-	(54,503)
Net exchange differences	-	3,483	413	58	712	40	11	4,717
March 31	$ 804,770	$ 1,545,606	$ 699,840	$ 3,692	$ 30,718	$ 30,535	$ 42,384	$ 3,157,545
March 31, 2026								
Cost	$ 843,920	$ 2,233,238	$ 2,573,249	$ 9,647	$ 103,320	$ 165,295	$ 42,384	$ 5,971,053
Accumulated depreciation and impairment	(39,150)	(687,632)	(1,873,409)	(5,955)	(72,602)	(134,760)	-	(2,813,508)
	$ 804,770	$ 1,545,606	$ 699,840	$ 3,692	$ 30,718	$ 30,535	$ 42,384	$ 3,157,545

Note: For the current period, the net difference of the transfer is the transfer of expense of NT$479.

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total
January 1, 2025								
Cost	$ 843,920	$ 2,212,887	$ 2,388,464	$ 10,173	$ 99,335	$ 147,988	$ 596,521	$ 6,299,288
Accumulated depreciation and impairment	(39,150)	(620,941)	(2,114,836)	(5,008)	(55,439)	(127,877)	-	(2,963,251)
	$ 804,770	$ 1,591,946	$ 273,628	$ 5,165	$ 43,896	$ 20,111	$ 596,521	$ 3,336,037
<u>2025</u>								
January 1	$ 804,770	$ 1,591,946	$ 273,628	$ 5,165	$ 43,896	$ 20,111	$ 596,521	$ 3,336,037
Additions	-	312	358	-	-	471	14,966	16,107
Transfers (Note)	-	523	1,715	-	-	(176)	205	2,267
Depreciation expense	-	(14,255)	(22,137)	(420)	(3,518)	(1,484)	-	(41,814)
Net exchange differences	-	2,998	1,082	88	902	41	11	5,122
March 31	$ 804,770	$ 1,581,524	$ 254,646	$ 4,833	$ 41,280	$ 18,963	$ 611,703	$ 3,317,719
March 31, 2025								
Cost	$ 843,920	$ 2,217,281	$ 2,366,017	$ 10,171	$ 101,177	$ 148,330	$ 611,703	$ 6,298,599
Accumulated depreciation and impairment	(39,150)	(635,757)	(2,111,371)	(5,338)	(59,897)	(129,367)	-	(2,980,880)
	$ 804,770	$ 1,581,524	$ 254,646	$ 4,833	$ 41,280	$ 18,963	$ 611,703	$ 3,317,719

Note: For the current period, the net difference of the transfer amount was reclassified as NT$228; NT$14 was transferred to inventory, NT$1,027 was transferred to intangible assets, and NT$3,536 was transferred from prepayment for the equipment (shown as other non-current assets).

A. Amount of borrowing costs capitalized as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	2026/1/1 – 3/31	2025/1/1 – 3/31
Amount capitalized	$ 203	$ 3,261
Range of the interest rates for capitalization	1.869%~2.014%	1.824%~1.982%

B. Part of the land own by the Group is agricultural land, and is held in the name of an individual due to the current laws and regulations. The title of the land is in the possession of the Group; the Group signed a land trust agreement with the nominal owner, which states that the Group is the actual owner of the land. First mortgage right of NT$148,000 is granted to the Group.

C. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(6) Leasing arrangements－lessee

A. The Group leases various assets including buildings, business vehicles and multifunction printers. Rental contracts are typically made for periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The term of the warehouse space and employee dormitory the Group leases does not exceed 12 months, and the lease is the low-value underlying assets which are storage pallets.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	March 31, 2026	December 31, 2025	March 31, 2025
	Carrying amount	Carrying amount	Carrying amount
Buildings	$ 627	$ 740	$ 368
Transportation equipment (Business vehicles)	2,324	2,461	242
Office equipment (Printers)	573	460	435
	$ 3,524	$ 3,661	$ 1,045

	2026/1/1 – 3/31 Depreciation expense	2025/1/1 – 3/31 Depreciation expense
Buildings	$ 113	$ 72
Transportation equipment (Business vehicles)	137	90
Office equipment (Printers)	95	98
	$ 345	$ 260

D. As of January 1 to March 31, 2026 and 2025, the right-of-use assets of the Group were added NT$208 and NT$32 respectively.

E. The Group terminated the lease contract for the business equipment early in April 2025, and the right-of-use assets and lease liabilities were reduced by NT$16.

F. The information on profit and loss accounts relating to lease contracts is as follows:

	2026/1/1 – 3/31	2025/1/1 – 3/31
Items affecting profit or loss		
Interest expense on lease liabilities	$ 10	$ 4
Expense on short-term lease contracts	$ 1,927	$ 2,219
Expense on leases of low value assets	$ 578	$ 735

G. The Group's total cash outflows related to leases for the three-month periods from January 1 to March 31, 2026 and 2025 were NT$2,843 thousand and NT$3,111 thousand, respectively (including repayments of the principal portion of lease liabilities amounting to NT$328 thousand and NT$153 thousand, respectively).

(7) Other non-current assets

	March 31, 2026	December 31, 2025	March 31, 2025
Guarantee deposits paid	$ 18,110	$ 20,533	$ 17,981
Other non-current assets	1,123	1,185	1,723
	$ 19,233	$ 21,718	$ 19,704

(8) Short-term borrowings

	March 31, 2026	December 31, 2025	March 31, 2025
Credit loan (Note)	$ 263,566	$ 235,523	$ 171,155
Lines of credit	$ 878,236	$ 975,161	$ 1,037,071
Annual interest rate	2.50%~4.00%	2.50%~4.00%	3.70%~4.10%

Note: Some loans to the subsidiary KNH (Yangzhou) Co., Ltd. are guaranteed by the Company.

(1) Other payables

	March 31, 2026	December 31, 2025	March 31, 2025
Freight payable	$ 54,595	$ 34,969	$ 43,165
Salary and bonus payable	50,150	73,668	60,829
Advertisement expense payable	29,029	33,832	28,002
Labor and health insurance payable	11,484	11,061	11,001
Payable outsourcing fees	9,670	10,409	8,707
Renovation expenses payable	9,650	12,247	9,112
Utilities payable	9,121	9,957	10,285
Payable on machinery equipment	6,004	7,914	14,483
Dividends payable	-	-	39,073
Remuneration payable to employees and directors	-	-	1,124
Other expenses payable	70,677	70,230	71,795
	$ 250,380	$ 264,287	$ 297,576

(2) Long-term borrowings

Loan bank	Credit line	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2026
The Export-Import Bank of the Republic of China	$ 200,000	2026.03.30~2029.03.30 the principal is repayable every 6 months in 4 installments(Note 1)	2.260%	None	$ 200,000
First Commercial Bank - Return to Invest in Taiwan (equipment)	419,300	2019.12.16~2029.12.15 the principal is repayable every 1 month in 84 installments(Note 2)	1.375%	Machinery and equipment provided as collateral	234,710
First Commercial Bank - Return to Invest in Taiwan (plant)	668,200	2020.05.07~2030.04.15 the principal is repayable every 1 month in 84 installments(Note 2)	1.375%	Land and buildings provided as collateral	391,077
First Commercial Bank - Return to Invest in Taiwan (working fund)	271,800	2020.05.07~2027.04.15 the principal is repayable every 1 month in 48 installments(Note 2)	1.375%	None	73,613
Mega Bank	950,000	2025.07.11~2030.07.11 the principal is repayable every 6 months in 7 installments(Note 6)	2.099%	Land and buildings provided as collateral	950,000
Chang Hwa Bank	20,000	2025.10.01~2031.10.01 the principal is repayable every 1 month in 48 installments(Note 3)	2.220%	None	30,000
First Commercial Bank	500,000	2025.07.04~2030.07.04 the principal is repayable every 6 months in 5 installments(Note 7)	2.145%	Land, building, machinery and equipment	500,000
Hua Nan Commercial Bank, Ltd	400,000	2023.06.29~2028.06.29 the principal is repayable every 6 months in 4 installments(Note 5)	2.090%	Land and buildings provided as collateral	400,000
Chang Hwa Bank	120,000	2025.01.02~2028.01.02 the principal is repayable every 6 months in 4 installments(Note 8)	2.075%	None	120,000
					-
					2,899,400
Less: Long-term borrowings due in one year or one business cycle					(386,313)
					$ 2,513,087

Loan bank	Credit line	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2025
The Export-Import Bank of the Republic of China	$ 200,000	2024.09.27~2027.09.27 the principal is repayable every 6 months in 4 installments(Note 1)	1.302%	None	$ 200,000
First Commercial Bank - Return to Invest in Taiwan (equipment)	419,300	2019.12.16~2029.12.15 the principal is repayable every 1 month in 84 installments(Note 2)	1.375%	Machinery and equipment provided as collateral	250,358
First Commercial Bank - Return to Invest in Taiwan (plant)	668,200	2020.05.07~2030.04.15 the principal is repayable every 1 month in 84 installments (Note 2)	1.375%	Land and buildings provided as collateral	415,021
First Commercial Bank - Return to Invest in Taiwan (working fund)	271,800	2020.05.07~2027.04.15 the principal is repayable every 1 month in 48 installments(Note 2)	1.375%	None	90,600
Mega Bank	950,000	2025.07.11~2030.07.11 the principal is repayable every 6 months in 7 installments(Note 6)	2.099%	Land and buildings provided as collateral	950,000
Chang Hwa Bank	30,000	2025.10.01~2031.10.01 the principal is repayable every 1 month in 48 installments(Note 3)	2.220%	None	30,000
First Commercial Bank	500,000	2025.07.04~2030.07.04 the principal is repayable every 6 months in 5 installments(Note 7)	2.145%	Land, building, machinery and equipment	500,000
Hua Nan Commercial Bank, Ltd	400,000	2023.06.29~2028.06.29 the principal is repayable every 6 months in 4 installments(Note 5)	2.090%	Land and buildings provided as collateral	400,000
Chang Hwa Bank	120,000	2025.01.02~2028.01.02 the principal is repayable every 6 months in 4 installments(Note 8)	2.075%	None	120,000
					-
					2,955,979
Less: Long-term borrowings due in one year or one business cycle					(456,313)
					$ 2,499,666

Loan bank	Credit line	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2025
The Export-Import Bank of the Republic of China	$ 200,000	2024.09.27~2027.09.27 the principal is repayable every 6 months in 4 installments (Note 1)	2.300%	None	$ 30,000
First Commercial Bank - Return to Invest in Taiwan (equipment)	419,300	2019.12.16~2029.12.15 the principal is repayable every 1 month in 84 installments (Note 2)	1.375%	Machinery and equipment provided as collateral	297,300
First Commercial Bank - Return to Invest in Taiwan (plant)	668,200	2020.05.07~2030.04.15 the principal is repayable every 1 month in 84 installments (Note 2)	1.375%	Land and buildings provided as collateral	486,851
First Commercial Bank - Return to Invest in Taiwan (working fund)	271,800	2020.05.07~2027.04.15 the principal is repayable every 1 month in 48 installments (Note 2)	1.375%	None	141,563
Mega Bank	250,000	2021.03.05~2026.03.05 the principal is repayable every 1 year in 3 installments (Note 9)	2.320%	None	150,000
First Commercial Bank	500,000	2021.12.13~2026.12.13 the principal is repayable every 6 months in 5 installments (Note 4)	2.030%	Land, building, machinery and equipment	400,000
Mega Bank	1,000,000	2022.01.11~2027.01.11 the principal is repayable every 6 months in 5 installments (Note 4)	2.340%	Land and buildings provided as collateral	800,000
Hua Nan Commercial Bank, Ltd	400,000	2023.06.29~2028.06.29 the principal is repayable every 6 months in 4 installments (Note 5)	2.090%	Land and buildings provided as collateral	400,000
Chang Hwa Bank	120,000	2025.01.02~2028.01.02 the principal is repayable every 6 months in 4 installments (Note 8)	2.080%	None	120,000
					2,825,714
Less: Long-term borrowings due in one year or one business cycle					(983,813)
					$ 1,841,901

Note 1: The grace period for repayment of the loan is 1.5 years. The first installment shall fall due 18 months from the date of the first drawdown, and the principal shall thereafter be repaid in four equal installments at six-month intervals. To meet the Company’s actual

operational needs, the Company reapplied for a credit line for refinancing existing borrowings and replenishing working capital. The loan term and repayment method remain the same as those described above.

Note 2: The grace period for the repayment of equipment, plant and working funds in the loan for Return to Invest in Taiwan Program is 3 years. The principal is repaid in equal monthly installments from the expiry date of the grace period. For the first 5 years, the Company will receive a 0.5% subsidy from the National Development Council, and from the 6th year, the original interest rate will apply.

Note 3: The repayment grace period for the loan is two years. Funds will be drawn down in tranches. The principal will be amortized over 48 months with equal installments, and interest is paid monthly.

Note 4: The grace period is 3 years. The principal is repayable every 6 months in 5 installments, starting from 3 years after the first grant date. To align with the Company's operational needs, the original loan was repaid early and a new loan agreement was entered into. For the repayment terms, please refer to Note 7.

Note 5: The grace period is 3 years. The principal is repayable every 6 months in 4 installments, starting from 4 years after the first grant date.

Note 6: The grace period is 2 years. The principal is repayable every 6 months in 7 installments, starting from 2 years after the first grant date.

Note 7: The grace period is 3 years. The principal is repayable every 6 months in 5 installments, starting from 3 years after the first grant date.

Note 8: The grace period is 1 year. Starting from the second year, the Company will repay NT$30 million semi-annually until fully paid.

Note 9: The grace period is 3 years, repayment shall be 20% of principal at the date of 3 years and 4 years after the first grant date and shall be 60% of the balance at the date of 5 years after the first grant date.

(3) Pensions

A. Defined benefit plans

(A) The Company have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Employees who are qualified for retirement, under the defined benefit pension plan, pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. For January 1 to March 31, 2026 and 2025, the Company and its domestic subsidiaries contribute monthly an amount equal to 2.1% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee, respectively. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March 31.

(B) The Group expects to pay NT$923 and NT$989 of the pension plan for the three months ended March 31, 2026 and 2025, respectively.

(C) Expected contributions to the defined benefit pension plans of the Group for the year of 2027 amount to NT$2,539.

B. Defined contribution plans

(A) The Company and its domestic subsidiaries have established a defined contribution pension plan under the Labor Pension Act, covering all regular employees with R.O.C. Nationality. Under the Labor Pension Act, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(B) Shanghai KNH International Trading Co., Ltd., and KNH (Yangzhou) Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China are based on a certain percentage of employees' monthly salaries and wages. For January 1 to March 31, 2026 and 2025, the contribution rate was both 20%. Other than the monthly contributions, the Group has no further obligations.

(C) The pension costs under the defined contribution pension plans of the Group for January 1 to March 31, 2026 and 2025 were NT$6,527 and NT$6,996, respectively.

(D) From January 1 to March 31, 2026 and 2025, the subsidiary, Kang Yu Co., Ltd. had no full-time employees, and its operations were carried out by the Company. The remaining subsidiaries have no pension plan, and its local laws have no compulsory requirements on the establishment of a pension plan, thus, no pension liability or expense was recognized by these subsidiaries.

(4) Share capital

As of March 31, 2026, the Company's authorized capital was NT$2,500,000, consisting of 250,000 thousand shares of ordinary stock, and the paid-in capital was NT$1,953,628 with a par value of NT$10 per share. All proceeds from shares issued have been collected. The number of the Company's issued common shares outstanding at the beginning of the period and the end of the period for 2026 and 2025 is unchanged at 195,363 thousand shares.

(5) Capital surplus

Pursuant to the Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(6) Accumulated deficits to be offset/Retained earnings

A. Under the Company's Articles of Incorporation, if the Company has annual earnings, such earnings shall first be used to offset accumulated losses from prior years, after payment of all taxes and dues, and 10% of the remaining amount shall then be appropriated as legal reserve; provided that this requirement shall not apply when the accumulated legal reserve has reached the amount of the Company's paid-in capital. The Company shall set aside a portion of its after-tax profits in the special reserve account that covers the debit balance on other equity items. The remaining profits shall be combined with the unappropriated retained earnings from the prior year to form the distributable earnings for the current year. The amount of the earnings distributed to shareholders shall be determined according to the performance of the Company by the Board of Directors and approved in the shareholders' meeting. If there are no earnings in the current year to be distributed, or if the remaining earnings is substantially lower than the Company's distributions in the prior year, or if considering the Company's finance, sales, and operations, the Company can distribute all or a portion of its retained earnings in accordance with applicable laws or rules issued by the competent authority. According to the Company's Articles of Incorporation, under a resolution made by the Board of Directors during its meeting attended by more than 2/3 of the directors and approved by more than 1/2 of those who attended, full or partial of the distributable dividends and bonus from capital surplus or legal reserve will be distributed in the form of cash, and it will be reported to the shareholders. The distribution of capital surplus does not require approval from the shareholders.

B. The Company’s dividend policy is as follows: The company is in the non-woven industry. As non-woven can be applied to a wide range of applications, the whole industry demand is still growing. The Company’s dividend policy is planned after taking into consideration the Company’s current and future entire financial structure, investment plan required for future development, level of the Company’s capital and the impact of capital expansion on the level of dividends. The total stock dividends to be distributed shall be no less than 10% of the “total distributable surplus” less the earnings retained subject to the overview of operation each year. The dividends shall be distributed in the form of cash dividends as the first priority, and the cash dividends distributed shall be no less than 50% of the total stock dividends to be distributed, while the others shall be distributed in the form of stock dividends. However, if cash dividends are lower than NT$0.1 per share, stock dividends will be issued instead.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company’s paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The earnings (loss) appropriation and distribution proposal for 2024 was approved by the Company’s shareholders’ meeting on June 13, 2025, as follows:

	2024	
	Amount	Dividend per share (NTD)
Cash dividends	$ 39,073	$ 0.20

F. On March 6, 2026, the Board of Directors of the Company resolved not to distribute cash dividends. However, as of the date of this audit report, such resolution had not yet been approved by the shareholders at a shareholders' meeting.

(7) Operating revenue

	2026/1/1 – 3/31	2025/1/1 – 3/31
Revenue from contracts with customers	$ 677,599	$ 677,650

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

2026/1/1 – 3/31	Sanitary products	Others	Total
Revenue from external customer contracts	$ 662,262	$ 15,337	$ 677,599
Timing of revenue			
At a point in time	$ 662,262	$ 739	$ 663,001
Over time	-	14,598	14,598
	$ 662,262	$ 15,337	$ 677,599

2025/1/1 – 3/31	Sanitary products	Others	Total
Revenue from external customer contracts	$ 674,857	$ 2,793	$ 677,650
Timing of revenue			
At a point in time	$ 674,857	$ 68	$ 674,925
Over time	-	2,725	2,725
	$ 674,857	$ 2,793	$ 677,650

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	March 31, 2026	December 31, 2025	March 31, 2025	January 1, 2025
Contract assets - construction contracts	$ 15,670	$ 20,809	$ 4,662	$ 3,211
Contract liabilities - construction contracts	($ 4,371)	$ -	$ -	$ -
Contract liabilities - sales contracts	(3,118)	(1,536)	(317)	(4,661)
	($ 7,489)	($ 1,536)	($ 317)	($ 264)

	2026/1/1 – 3/31	2025/1/1 – 3/31
The opening balance of contract liabilities was recognized as income in the current period		
Merchandise sales agreement	$ 795	$ 264

(8) Interest income

	2026/1/1 – 3/31	2025/1/1 – 3/31
Interest income from bank deposits	$ 3,263	$ 252
Interest income from financial assets measured at amortized cost	15	-
	$ 3,278	$ 252

(9) Other income

	2026/1/1 – 3/31	2025/1/1 – 3/31
Government grant income	$ 5,441	$ 1,223
Plate charge/freight/warehousing revenue	4,775	8,102
Other income	3,073	326
	$ 13,289	$ 9,651

The Company received government grants under the "A+ Corporate Innovative R&D Refinement Program." The project period is from July 1, 2025 to June 30, 2027. During the three-month period from January 1 to March 31, 2026, the Company recognized government grant income of NT$4,788 thousand. In addition, interest subsidies related to investments in Taiwan amounted to NT$653 thousand and NT$1,223 thousand for the three-month periods from January 1 to March 31, 2026 and 2025, respectively.

(10) Other gains and losses

	2026/1/1 – 3/31	2025/1/1 – 3/31
Net currency exchange gains	$ 4,625	$ 10,212
Miscellaneous disbursements	(808)	(648)
Gains from disposal of property, plant and equipment	591	55
Claims income	-	139,868
	$ 4,408	$ 149,487

The Company had a fire accident on February 29, 2024, which damaged part of the Company's inventory and affected the use of part of the production equipment. The Company had checked the carrying amount of the inventory damaged and destroyed amounting to NT$33,271; and estimated an impairment loss on the basis of the carrying amount of the production equipment and the recoverable amount of the equipment amounting to NT$9,910. The Company has taken out relevant property insurance for the damaged inventory and property, plant and equipment. As of February 2025, the Company received NT$139,868 in claims.

(11) Finance costs

	2026/1/1 – 3/31	2025/1/1 – 3/31
Interest expense	$ 17,129	$ 14,194
Financial expense, others	368	538
	$ 17,497	$ 14,732

(12) Expenses by nature

	2026/1/1 – 3/31	2025/1/1 – 3/31
Wages and salaries	$ 124,751	$ 131,837
Labor and health insurance fees	12,769	12,180
Pension costs	7,450	7,625
Other personnel expenses	6,485	6,056
Employee benefit expense	$ 151,455	$ 157,698
Depreciation charges on property, plant and equipment and right-of-use assets	$ 54,848	$ 42,074
Amortization charges on intangible assets	$ 1,027	$ 1,308

1. In accordance with the Articles of Incorporation of the Company, a ratio of distributable profit from the current year, after covering accumulated losses, shall be distributed as employee compensation and director remuneration. The ratio shall not be lower than 1% of the distributable balance as employee remuneration, of which no less than 20% shall be allocated to entry-level employees and no more than 5% to directors.
2. For the three months ended March 31, 2025, the Company's estimated remuneration to employees was NT$482, and the estimated remuneration to directors was NT$642. The aforementioned amounts were recorded in the "Salary expense" account. As the Company recorded a loss for January 1 to March 31, 2026, no remuneration to employees or directors was estimated.
3. Information about employees’ compensation and directors’ remuneration of the Company as resolved by the Board of Directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

(13) Income taxes

1. Income tax expense

(1) Components of income tax expense:

	2026/1/1 – 3/31	2025/1/1 – 3/31
Deferred tax:		
Origination and reversal of temporary differences	1,098	2,387
Income tax expense	$ 1,098	$ 2,387

(2) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	2026/1/1 – 3/31	2025/1/1 – 3/31
Currency translation differences of foreign operations	$ 3,282	$ 3,536

2. The income taxes of the Company and its subsidiary K.Jie Water & Environmental Engineering Co., Ltd. have been approved by the Revenue Service Office until 2024.

(14) Earnings (loss) per share

	2026/1/1 – 3/31		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Loss per share (NTD)
Basic loss per share			
Net loss for current period attributable to ordinary shareholders of the parent (Note)	($ 100,694)	195,363	($ 0.52)

	2025/1/1 – 3/31		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (NTD)
Basic earnings per share			
Net profit for current period attributable to ordinary shareholders of the parent	$ 48,718	195,363	$ 0.25
Diluted earnings per share			
Net profit for current period attributable to ordinary shareholders of the parent	48,718	195,363	
Assumed conversion of all dilutive potential ordinary shares - employees' compensation	-	28	
Net profit for the current period attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 48,718	$ 195,391	$ 0.25

Note: As the current period is net loss, there is an anti-dilutive when potential ordinary shares are recognized. Therefore, only basic loss per share is disclosed.

(15) Supplemental cash flow information

1. Investing activities with only part of the cash received and paid

	2026/1/1 – 3/31	2025/1/1 – 3/31
Purchase of property, plant and equipment	$ 19,328	$ 16,107
Add: Opening balance of payable on equipment	7,914	29,070
Less: Ending balance of payable on equipment	(6,004)	(14,483)
Less: Capitalized interest payments	(203)	(3,261)
Cash paid during the current period	$ 21,035	$ 27,433

2. It does not affect cash flow financing activities:

	2026/1/1 – 3/31	2025/1/1 – 3/31
Cash dividends that have been declared but not yet paid	$ -	$ 39,073

(16) Changes in liabilities from financing activities

In accordance with the revised IAS 7 “Disclosure Initiative”, the following changes have been disclosed for January 1 to March 31, 2026 and 2025:

	Short-term borrowings	Long-term borrowings (including those due within one year)	Lease liability
January 1, 2026	$ 235,523	$ 2,955,979	$ 3,617
Changes in cash flow from financing activities	19,850	(56,579)	(328)
Other non-cash changes	-	-	208
Effects of changes in foreign exchange rates	8,193	-	-
March 31, 2026	$ 263,566	$ 2,899,400	$ 3,497

	Guarantee deposits received	Liabilities from financing activities-gross
January 1, 2026	$ 2,129	$ 3,197,248
Changes in cash flow from financing activities	(52)	(37,109)
Other non-cash changes	-	208
Effects of changes in foreign exchange rates	56	8,249
March 31, 2026	$ 2,133	$ 3,168,596

	Short-term borrowings	Long-term borrowings (including those due within one year)	Lease liability
January 1, 2025	$ 211,113	$ 3,012,292	$ 897
Changes in cash flow from financing activities	(45,136)	(186,578)	(153)
Other non-cash changes	-	-	32
Effects of changes in foreign exchange rates	5,178	-	-
March 31, 2025	$ 171,155	$ 2,825,714	$ 776

	Guarantee deposits received	Liabilities from financing activities-gross
January 1, 2025	$ 2,197	$ 3,226,499
Changes in cash flow from financing activities	(46)	(231,913)
Other non-cash changes	-	32
Effects of changes in foreign exchange rates	52	5,230
March 31, 2025	$ 2,203	$ 2,999,848

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are widely held. The Company does not have an ultimate parent and ultimate controlling party.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Group
Haocheng Enterprise Co., Ltd. (Haocheng)	Other related party
Kang Yao Investment Co., Ltd. (Kang Yao)	Other related party

(3) Significant related party transactions

A. Other income

	2026/1/1 – 3/31	2025/1/1 – 3/31
Other income - rent income:		
Other related party	$ 14	$ 57

B. Other expenses

	2026/1/1 – 3/31	2025/1/1 – 3/31
Repair expenses		
Other related party	$ 924	$ 757

Other expenses: Processing expense is the expense for outsourced assembly processing.

C. Receivables from related parties

	March 31, 2026	December 31, 2025	March 31, 2025
Other receivables			
Other related party －Kang Yao	$ 32	$ -	$ 10

D. Payables to related parties

	March 31, 2026	December 31, 2025	March 31, 2025
Other payables			
Other related party-Haocheng	$ 924	$ 821	$ 757

(4) Key management compensation

	2026/1/1 – 3/31	2025/1/1 – 3/31
Salaries and other short-term employee benefits	$ 9,435	$ 7,586
Post-employment benefits	348	264
Total	$ 9,783	$ 7,850

8. RESTRICTED/PLEDGED ASSETS

The Group's assets pledged as collateral and restricted are as follows:

	Book value			
Pledged assets	March 31, 2026	December 31, 2025	March 31, 2025	Purpose
Demand deposits (shown as "financial assets measured at amortized cost")	$ 10,169	$ 10,169	$ 1,017	Performance
Time deposits (shown as "financial assets measured at amortized cost")	4,471	4,466	-	Performance
Land	85,946	85,946	85,946	Long-term borrowings (Note 1)
Buildings and structures	782,035	783,720	797,527	Long-term borrowings (Note 1)
Land	111,686	111,686	111,686	Long-term borrowings (Note 2)
Buildings and structures	88,957	89,905	92,748	Long-term borrowings (Note 2)
Machinery and equipment	15,839	17,089	20,840	Long-term borrowings (Note 2)
Land	125,540	125,540	125,540	Long-term borrowings (Note 3)
Buildings and structures	493,049	500,959	507,597	Long-term borrowings (Note 3)
Land	263,518	263,518	263,518	Long-term borrowings (Note 4)
Buildings and structures	20,073	20,509	18,574	Long-term borrowings (Note 4)
	$ 2,001,283	$ 2,013,507	$ 2,024,993	

Note 1: In December 2019, the Company entered into a medium-term loan agreement in the amount of NT$1,359 million with First Commercial Bank. The period loan was from December 16, 2019 to April 15, 2030. According to the terms of the agreement, before the completion of plant construction of the plant, the initial deposit of NT$802 million was set for the pledge of real estate. The inspection and acceptance of the plant at the end of 2023 was completed, and the pledge was set up in 2024 for the amount of NT$819 million.

Note 2: In December 2021, the Company entered into a medium-term loan agreement in the amount of NT$500 million with First Commercial Bank. The loan period was from December 31, 2021 to December 13, 2026. The agreement was renewed in July 2025, extending the loan period from July 11, 2025, to July 11, 2030. The loan period was from July 11, 205 to July 11, 2030. According to the terms of the agreement, real estate property and machinery and equipment were pledged as collateral, with the amounts of NT$300 million and NT$36 million.

Note 3: In January 2022, the Company entered into a medium-term loan agreement in the amount of NT$1 billion with Mega Bank. The loan period was from January 11, 2022 to January 11, 2027. The agreement was renewed in July 2025, and the total credit facility was changed to NT$950 million. The loan period was from July 11, 2025 to July 11, 2030. According to the terms of the agreement, real estate property was pledged as collateral, for NT$1.2 billion.

Note 4: In November 2022, the Company entered into a medium-term loan agreement in the amount of NT$0.4 billion with Hua Nan Bank. The period loan was from June 29, 2023 to June 29, 2028. According to the terms of the agreement, real estate property was pledged as collateral, with the amount of NT$0.48 billion.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As of March 31, 2026, the Group's capital expenditure contracted for at the balance sheet date but not yet incurred was NT$7,293.

B. The Group's application for letters of credit for raw material imports, with an unused amount of NT$242, was outstanding as of March 31, 2026.

C. In Q2 2022, Subsidiary KNH (Yangzhou) Co., Ltd. (hereinafter referred to as "KNH (Yangzhou)") entered into a lease contract for plant and ancillary equipment with Yangzhou Diehu Technology & Industry Development Co., Ltd. pursuant to the previous "High-end Health Consumer Products Project" (hereinafter referred to as "investment agreement") signed by the Company and the Yangzhou Economic & Technological Development Zone Administration Committee (hereinafter referred to as Yangzhou Development Zone). The lease is for a term of 10 years starting from April 1, 2022 with the first five years free of rent. From the sixth year on wards, rent is payable at a preferential rate, calculated on a yearly basis. Yangzhou Development Zone will assess the total amount of tax revenues collected by KNH (Yangzhou) for the year and full or partial rental subsidy will be granted depending on the actual amount of tax revenues collected. The investment agreement also sets forth that KNH (Yangzhou) may purchase the plant at any time at a favorable price.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

(2) Financial instruments

A. Financial instruments by category

	March 31, 2026	December 31, 2025	March 31, 2025
Financial assets			
Financial assets at amortized cost			
Cash and cash equivalents	$ 1,209,688	$ 1,317,958	$ 1,249,784
Financial assets at amortized cost	14,640	14,635	171,017
Notes receivable	4,773	5,981	6,086
Accounts receivable	753,475	733,350	808,045
Other receivables (Including related parties)	27,457	34,940	11,873
Guarantee deposits paid	18,110	20,533	17,981
	$ 2,028,143	$ 2,127,397	$ 2,264,786
Financial liabilities			
Financial liabilities at amortized cost			
Short-term borrowings	$ 263,566	$ 235,523	$ 171,155
Notes payable	6,773	7,987	12,702
Accounts payable	334,447	346,333	349,711
Other payables (Including related parties)	251,304	265,108	298,333
Long-term borrowings (Including borrowings due in one year or one operating cycle)	2,899,400	2,955,979	2,825,714
Guarantee deposits received	2,133	2,129	2,203
	$ 3,757,623	$ 3,813,059	$ 3,659,818
Lease liability	$ 3,497	$ 3,617	$ 776

B. Financial risk management policies

(A) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(B) Risk management is carried out by finance department under policies approved by the Board of Directors. Finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(C) In order to control risk of its business, the Group has the following strategies for different types of risk:

a. Operational risk: All transactions shall be executed in accordance with the Group's policies and procedures; the internal audit shall perform spot checks of transactions to avoid operational risk.

b. Credit risk: In order to minimize credit risk, the credit of all clients shall be reviewed meticulously, and debt protection measures put into place. When trading financial derivative instruments, the counterparty must have a high credit rating, a long-time relationship with the Company, and the ability to provide professional information.

c. Cash flow risk: Periodically prepare long-term and short-term projections of capital and closely monitor the Company's cash flows at all times to ensure the timely payment and collection of cash for all transactions.

d. Asset impairment risk: Ensure the accuracy and security of important assets such as inventory, mechanical equipment, and buildings through security measures, inventory counts, and purchase of insurance policies.

e. Foreign exchange risk: Periodically calculate the inflows, outflows, and net positions on transaction currencies, monitor the changes in foreign exchange rates in real-time, and carefully evaluate if hedging is necessary for certain activities.

C. Significant financial risks and degrees of financial risks

(A) Market risk

Foreign exchange risk

a. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

b. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury, mainly in ways of Nature Hedge.

c. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2026				
	Foreign currency amount (in thousands)		Exchange rate		Carrying amount (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	8,090	32.00	$	258,832
USD:RMB		1,587	6.92		50,845
Non-monetary items					
USD:NTD		16,386	32.00		524,260
RMB:USD		62,282	0.14		430,954
Financial liabilities					
Monetary items					
USD:NTD	$	412	32.00	$	13,195
USD:RMB		763	6.92		24,450

	December 31, 2025				
	Foreign currency amount (in thousands)		Exchange rate		Carrying amount (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	8,167	31.43	$	256,687
USD:RMB		1,557	7.03		49,191
Non-monetary items					
USD:NTD		16,511	31.43		518,939
RMB:USD		61,046	0.14		429,079
Financial liabilities					
Monetary items					
USD:NTD	$	1,191	31.43	$	37,186
USD:RMB		423	7.03		13,362

	March 31, 2025				
	Foreign currency amount (in thousands)		Exchange rate	Carrying amount (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	17,601	33.21	$	584,442
USD:RMB		2,159	7.18		70,868
Non-monetary items					
USD:NTD		18,334	33.21		608,170
RMB:USD		120,551	0.14		557,644
Financial liabilities					
Monetary items					
USD:NTD	$	609	33.21	$	20,337
USD:RMB		817	7.18		26,811

d. Analysis of foreign currency market risk arising from significant foreign exchange variation:

	2026/1/1 – 3/31				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	2,588	$	-
USD:RMB	1%		508		-
Financial liabilities					
Monetary items					
USD:NTD	1%	$	132	$	-
USD:RMB	1%		245		-

	2025/1/1 – 3/31				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	1%	$	5,844	$	-
USD:RMB	1%		709	-	
Financial liabilities					
Monetary items					
USD:NTD	1%	$	203	$	-
USD:RMB	1%		268		-

Price risk

a. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

b. There was no risk of prices as the Group did not invest in equity instruments as of January 1 to March 31, 2026 and 2025.

Cash flow and fair value interest rate risk

a. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. As of January 1 to March 31, 2026 and 2025, the Group's borrowings at variable rate were denominated in the NTD and RMB.

b. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

c. As of March 31, 2026 and 2025, if interest rates had been 1% higher with all other variables held constant, profit (loss) after tax as of January 1 to March 31, 2026 and 2025 would have been NT$6,326 and NT$5,994 lower, respectively. It is mainly a result of higher interest expense on floating rate borrowings.

(B) Credit risk

a. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

b. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored. Only banks and financial institutions with optimal credit ratings are accepted.

c. In line with credit risk management procedure, if the contract payments were past due over 180 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

d. In line with credit risk management procedure, the default occurs when the contract payments are past due for more than 180 days and are difficult to collect based on the individual assessment.

e. The Group classifies customer's accounts receivable (including notes receivable) and contract assets in accordance with customer types. The Group applies the modified approach using loss rate methodology to estimated expected credit loss.

f. The Group used its forecast-ability to adjust historical and timely information to assess the default possibility of accounts receivable (including notes receivable), and contract assets. On March 31, 2026, December 31, 2025 and March 31, 2025, the loss rate methodology is as follows:

	Not past due	Up to 30 days past due	31–90 days past due	91–180 days past due	Over 181 days past due	Total
March 31, 2026						
Expected loss rate	0.10%	0.10%	1.00%	5.00%	20.00%	
Total book value	$ 748,318	$ 20,332	$ 1,957	$ 3,639	$ 724	$ 774,970
Loss allowance	756	21	20	182	73	1,052

	Not past due	Up to 30 days past due	31–90 days past due	91–180 days past due	Over 181 days past due	Total
December 31, 2025						
Expected loss rate	0.10%	0.10%	1.00%	5.00%	20.00%	
Total book value	$ 717,333	$ 27,861	$ 12,878	$ 805	$ 2,351	$ 761,228
Loss allowance	660	25	128	40	235	1,088

	Not past due	Up to 30 days past due	31–90 days past due	91–180 days past due	Over 181 days past due	Total
March 31, 2025						
Expected loss rate	0.10%	0.10%	1.00%	5.00%	20.00%	
Total book value	$ 788,032	$ 21,010	$ 7,465	$ 1,128	$ 2,301	$ 819,936
Loss allowance	807	38	75	57	166	1,143

Individual assessment:

	March 31, 2026	December 31, 2025	March 31, 2025
Expected loss rate	100%	100%	100%
Total book value	$ 1,984	$ 1,984	$ 1,984
Loss allowance	1,984	1,984	1,984

g. Movements in relation to the Group applying the simplified approach to provide loss allowance are as follows:

	2026 Accounts receivable	2025 Accounts receivable
January 1	$ 3,072	$ 3,086
(Reversal) Provision for impairment	(53)	25
Effect of Exchange Rate Changes	17	16
March 31	$3,036	$3,127

(C) Liquidity risk

a. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance department. Finance department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

b. Excessive cash held by each operating unit can be invested in demand deposits or time deposits that bear interest, with an appropriate maturity date or sufficient liquidity, in order to respond to the aforementioned predictions and provide a sufficient buffer level.

c. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2026	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 266,746	$ -	$ -	$ -	$ -
Notes payable	6,773	-	-	-	-
Accounts payable	334,447	-	-	-	-
Other payables (Including related parties)	251,304	-	-	-	-
Lease liability	1,154	907	708	824	-
Long-term borrowings (Including borrowings due in one year or one operating cycle)	441,616	842,929	864,914	887,618	4,375
Guarantee deposits received	-	2,133	-	-	-

Non-derivative financial liabilities:

December 31, 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 240,742	$ -	$ -	$ -	$ -
Notes payable	7,987	-	-	-	-
Accounts payable	346,333	-	-	-	-
Other payables (Including related parties)	265,108	-	-	-	-
Lease liability	1,207	889	704	917	-
Long-term borrowings (Including borrowings due in one year or one operating cycle)	511,892	723,278	696,677	1,168,195	6,313
Guarantee deposits received	2,129	-	-	-	-

Non-derivative financial liabilities:

March 31, 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 174,330	$ -	$ -	$ -	$ -
Notes payable	12,702	-	-	-	-
Accounts payable	349,711	-	-	-	-
Other payables (Including related parties)	298,333	-	-	-	-
Lease liability	532	248	17	-	-
Long-term borrowings (Including borrowings due in one year or one operating cycle)	1,031,466	1,028,830	443,711	407,863	8,007
Guarantee deposits received	2,203	-	-	-	-

(3) Fair value information

A. There are no financial and non-financial instruments of the Group that are measured at fair value.

B. Financial instruments not measured at fair value

The Group's financial instruments not measured at fair value include the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), refundable deposits (shown as other non-current assets), short-term borrowings, notes payable, accounts payable, other payables (including related parties), and deposits of refundable deposits (shown as other non-current liabilities), are a reasonable approximation of the fair value.

Financial liabilities: long-term borrowings (Including borrowings due in one year or one operating cycle)

	March 31, 2026	December 31, 2025	March 31, 2025
Book value	$ 2,899,400	$ 2,955,979	$ 2,825,714
Fair value	$ 2,796,188	$ 2,841,590	$ 2,770,167

C. The Group classified financial and non-financial instruments measured at fair values based on the levels of characteristics, nature, risks and fair values of assets and liabilities. However, the Company has no such circumstances as of March 31, 2026, December 31, 2025 and March 31, 2025.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loaning funds to others: None.

B. Provision of endorsements and guarantees to others: Please refer to Table 1.

C. Holding of major marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

E. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

F. Significant inter-company transactions during the reporting periods: Please refer to Table 2.

(2) Information on investees

Investments between subsidiaries have been eliminated when preparing the consolidated financial statements. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to Table 3.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 4.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area, details are as follows:

(A) From January 1 to March 31, 2026, the Company directly or indirectly sold finished goods and raw materials in the amount of NT$1,634 and NT$3,261, respectively, to KNH (Yangzhou) Co., Ltd. through OUTLOOK INVESTMENT PTE LTD., which is located in a third region. As of March 31, 2026, the balances of accounts receivable due from the Company and OUTLOOK INVESTMENT PTE LTD. were NT$$1,655 and NT$916, respectively.

(B) As of March 31, 2026, the amounts that the Company directly endorsed and guaranteed for KNH (Yangzhou) Co., Ltd. was NT$518,448, respectively.

14. DEPARTMENT INFORMATION

(1) General information

The Group has determined the reportable departments based on the production and sales models, sales channels, customers and the input of managerial resources. The Group's business is segregated into sanitary products, environmental protection technology, and machinery equipment.

A. Sanitary products: Including manufacture and sale of maternity and child hygiene products, health care products, breathing mask and medical dressing products, non-woven fabric products, etc.

B. Environmental protection technology: Sale of filtering products of water processing, planning service of construction and technique; customers primarily are environmental protection company and production factory.

C. Machinery equipment: Manufacture and assembly of product equipment of various maternity and child hygiene products and non-woven fabric products.

Aforementioned operating departments are disclosed in line with the quantitative thresholds that complies in IFRS 8, if the department does not exceed the quantitative thresholds, then consolidated report as other departments.

(2) Measurement of department information

The Group's department profit (loss) is measured with the operating revenue and operating income. Additionally, the accounting policies of the operating departments are in agreement with the significant accounting policies summarized in Note 4.

(3) Information about department profit or loss, assets and liabilities

The department information provided to the chief operating decision maker for the reportable departments is as follows, and the Group did not provide the total assets and total liabilities amounts to chief operating decision-maker.

	2026/1/1 – 3/31			
	Sanitary products	Others	Adjustment	Total
Operating revenue				
Revenue from external customers	$ 662,262	$ 15,337	$ -	$ 677,599
Inter-department revenue	36,366	13	(36,379)	-
Total	$ 698,628	$ 15,350	($ 36,379)	$ 677,599
Department income (loss)	($ 102,814)	($ 825)	$ 565	($ 103,074)
Department income (loss) including:				
Depreciation and amortization	($ 54,259)	($ 45)	($ 1,571)	($ 55,875)

	2025/1/1 – 3/31			
	Sanitary products	Others	Adjustment	Total
Operating revenue				
Revenue from external customers	$ 674,857	$ 2,793	$ -	$ 677,650
Inter-department revenue	32,818	2,695	(35,513)	-
Total	$ 707,675	$ 5,488	($ 35,513)	$ 677,650
Department income (loss)	($ 88,629)	($ 5,285)	$ 361	($ 93,553)
Department income (loss) including:				
Depreciation and amortization	($ 43,337)	($ 45)	$ -	($ 43,382)

(4) Reconciliation for department income (loss)

The revenue from external customers reported to the chief operating decision-maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of loss or gain before tax from continuing operating department for the current period as follows:

	2026/1/1– 3/31	2025/1/1 – 3/31
Reportable operating departments income	($ 103,074)	($ 93,553)
Total non-operating income and expenses	3,478	144,658
Loss or gain before tax from continuing operating department	($ 99,596)	$51,105

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES

PROVISION OF ENDORSEMENTS AND GUARANTEES TO OTHERS

January 1, 2026 – March 31, 2026

Table 1

Unit: NTD thousand

(except as otherwise indicated)

No. (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/guarantees provided for a single party	Maximum outstanding endorsement/guarantee amount for the current period	Outstanding endorsement/guarantee amount at the end of the period	Actual amount drawn down	Amount of property pledged for endorsements/guarantees	Ratio of accumulated endorsement/guarantee amount to net asset value of the endorser/guarantor company	Ceiling on total amount of endorsements/guarantees provided	Provision of endorsements/guarantees by parent company to subsidiary	Provision of endorsements/guarantees by subsidiary to parent company	Provision of endorsements/guarantees to the party in Mainland China	Remarks
		Company name	Relationship (Note 2)											
0	KNH ENTERPRISE CO.,	KNH (Yangzhou) Co., Ltd.	2	$ 806,238	$ 518,448	$ 518,448	$ 263,853	$ -	25.72%	$ 806,238	Y	N	Y	Note 3

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is "0".

(2) The Investee are numbered in order starting from "1".

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

(1) A company with which it does business.

(2) A company in which the Company directly or indirectly holds more than 50% of the voting shares.

(3) A company that directly or indirectly holds more than 50% of the voting shares in the Company.

(4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other

(5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

entity are both calculated based on 40% of the Company's net worth.

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES

Business relationships and significant transactions between the parent company and subsidiaries

January 1, 2026 – March 31, 2026

Table 2

Unit: NTD thousand

(except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship with the counterparty (Note 2)	Transactions			
				General ledger account	Amount (Note 4 & 6)	Transaction terms	Percentage of consolidated total operating revenues or total assets (%) (Note 3)
1	OUTLOOK INVESTMENT PTE LTD.	KNH Enterprise Co., Ltd.	2	Sales	27,736	Note 5	4
1	OUTLOOK INVESTMENT PTE LTD.	KNH Enterprise Co., Ltd.	2	Accounts receivable	20,938	〃	-

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is “0”.

(2) The subsidiaries are numbered in order starting from “1”.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories: E.g. For the transactions of the parent company to its subsidiaries, if the parent Company has already disclosed such information, the subsidiary is not required to disclose the same information.

For the transactions of a subsidiary to another subsidiary, if one of the subsidiaries has already disclosed such information, the other subsidiary is not required to disclose the same information:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4: Only transaction amount that exceeds NT$10 million will be disclosed. Corresponding transactions from the other side are not disclosed.

Note 5: The terms and price were based on mutual agreement.

Note 6: Has been eliminated when preparing consolidated financial statements.

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES

Names, locations and other information of investee companies (not including investees in Mainland China)

January 1, 2026 – March 31, 2026

Table 3

Unit: NTD thousand

(except as otherwise indicated)

Name of Investor	Name of Investee	Location	Main business activities	Initial investment amount		Shares held at the end of period			Net profit (loss) of the investee of the current period	Investment income (loss) recognized by the Company for the current period	Remarks
				End of current period	Balance as the end of last	Number of shares (Note)	Ownership (%)	Carrying amount			
KNH ENTERPRISE CO., LTD.	K.Jie Water & Environmental Engineering Co., Ltd.	Taiwan	Manufacture, sale and agency of filter material relevant products	$ 104,900	$ 104,900	4,000	100	$ 19,918	($ 358)	$ 26	Note 3
KNH ENTERPRISE CO., LTD.	OUTLOOK INVESTMENT PTE LTD	Singapore	Holding and investments	1,034,168	1,034,168	36,176	100	524,260	(10,535)	(10,798)	〃

Note 1: In thousands per unit.
Note 2: For information disclosed on investees (excluding investees in Mainland China), the profit and loss for the period and carrying amount at the end of the period as of January 1 to March 31, 2026 were translated at the average
Note 3: Has been eliminated when preparing consolidated financial statements.

KNH ENTERPRISE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA-BASIC INFORMATION

January 1, 2026 – March 31, 2026

Table 4

Unit: NTD thousand

(except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as beginning of the current period (Note 6)	Taiwan to Mainland China/Amount remitted back to Taiwan for the current period		Accumulated amount of remittance from Taiwan to Mainland China as end of the current period (Note 5)	Net profit (loss) of the investee of the current period	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the current period (Note 2)	Carrying amount of investments at the end of the period (Note 4)	Accumulated amount of investment income remitted back to Taiwan as of the current period	Remarks
					Remitted to Mainland China	Remitted back to Taiwan							
Shanghai KNH International Trading Co., Ltd.	Sale of nonwoven fabric and related processing products, and daily necessities; wholesale, export and import of relevant machine and	Note 6	2	200,944	-	-	200,944	-	-	-	-	-	Note 6
KNH (Yangzhou) Co., Ltd.	Manufacture of non-woven fabric and its product of processing, paper products and household cleaning products, design and assemble of processing equipment and dispenser, and wholesale, import and export of parts of aforementioned products, and other corollary	888,316	2	945,429	-	-	945,429	(12,596)	100	(12,596)	430,954	-	Note 2(2)B, 3 & 4

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: In the “Investment income (loss) recognized for the current period” column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. The financial statements were audited by an international accounting firm which has a cooperative relationship with an accounting firm in R.O.C.

B. The financial statements were audited by the R.O.C. parent company’s CPA.

C. Others

Note 3: Invest through Outlook Investment Pte Ltd.

Note 4: Has been eliminated when preparing consolidated financial statements.

Note 5: Conversion was based on historical exchange rates.

Note 6: On July 4, 2025, the Board of Directors approved the dissolution of Shanghai KNH International Trading Co., Ltd. The liquidation was completed on October 30, 2025, and the returned capital from the liquidation was collected on

Company name	Accumulated amount of remittance from Taiwan to Mainland China as end of current period (Note 1)	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) (Note 1)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
KNH ENTERPRISE CO., LTD.	$ 1,174,536	$ 1,234,936	Note 2

Note 1: The original currency was USD, which was converted to NTD using the exchange rate (31.995) as of the balance sheet date.

Note 2: Pursuant to the amended "Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area" dated on August 29, 2008, as the Company has obtained the certificate of being qualified for operating headquarters, issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.