



KINIK Company

2023 Annual Report 2024 General Shareholders' Meeting

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KINIK Company

2023 Annual Report



K I N I K C o m p a n y

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V. Name of the trading place where the overseas securities are listed for trading and the method of inquiring about the overseas securities information:

No such situation.

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This annual report has been translated into English. In case of any discrepancy or inconsistency, the Chinese version shall prevail.

I. | Report to Shareholders

Hello, dear shareholders,

Reflecting on the international situation in 2023, the global economy was affected by multiple factors, including high interest rates, high inflation, and a post-pandemic economic performance that fell short of expectations, resulting in weak global demand for end products. The strained relations between the United States and China and the expansion of chip bans negatively impacted the global technology and manufacturing sectors, disrupting global supply chains and trade systems. The Russo-Ukrainian War and the Israel-Hamas conflict exacerbated geopolitical tensions, leading to bloc confrontations that created uncertainties for global economic development and social stability. The depreciation of the Japanese Yen, combined with China's weak real estate market and domestic demand, further complicated the international situation. Cooperation and competition among countries intensified, with economic, technological, and geopolitical factors intertwining to influence global development trends.

The slowdown in global trade expansion has affected Taiwan's export performance. Fortunately, KINIK has long maintained a stable market position through its product diversification strategy, continually expanding its range of products. Additionally, the Company has taken into account the steady growth trend of the semiconductor industry, thus minimizing the impact on its operations and maintaining a certain level of profitability. Overall, KINIK's consolidated revenue in 2023 reached NT\$6.381 billion, representing a decline of 8% from 2022; the net profit after tax was NT\$862 million, and the earnings per share after-tax were NT\$5.91. The detailed comparison with the budget is shown in the table below:

Unit: Thousand NT\$

For the year 2023			
	Budget Amount	Actual Amount	Achievement Rate (%)
Sale revenue	6,449,341	6,380,904	99%
Net operating profit	911,136	989,237	109%
Net profit before tax	977,548	1,060,405	108%
Net profit after tax	778,351	862,107	111%
EPS (NT\$)	5.91		

Looking ahead, the global economy is expected to continue to grow at a moderate pace in the coming years. In response to long-term high inflation, countries around the world are implementing tight monetary policies to combat it. This has resulted in slow and uneven global economic growth and widening disparities. The increasing trade restrictions, coupled with the negative effects of inward-oriented policies and global value chain reshuffling, are making the global trade outlook more uncertain, which in turn impacts Taiwan's industrial economy.

Despite the volatile international situation, we remain committed to the established development guidelines and continue to enhance our capabilities to create more value for shareholders and clients. We will continue to improve and innovate, using ESG as the driving force as the Company moves toward its centennial milestone while using green environmental protection, digital transformation, and smart manufacturing tools to solve relevant problems. This year, we have outlined the following key action plans:

1. Establish a Green Smart Manufacturing Project Office to coordinate the Company's ESG goals and smart manufacturing action plans, actively carry out energy conservation and carbon reduction, greening and smartening of existing processes, and third-party verification of the 2023 Sustainability Report, as well as maintenance and optimization of intelligent manufacturing AI models, etc., using the latest technologies and tools to maximize overall benefits.
2. In response to the strong demand in the semiconductor industry in the future, actively develop the CMP diamond disk and reclaimed wafer products required for advanced semiconductor manufacturing processes, the processing tools required for semiconductor front-end materials such as Silicon and SiC, and the back-end packaging and grinding process.
3. Conduct systematic successor and management trainee training to strengthen the Company's operational capabilities in response to the Company's future development needs.

Looking forward to the future, no matter how the international situation changes, the KINIK management team will overcome all difficulties, continue to persist in being market-oriented, and innovate and optimize our product structure. We will actively respond to market changes, maintain the Company's competitiveness, cultivate and expand domestic and foreign markets, and achieve higher operating performance.

Finally, I would like to thank all shareholders for your continued trust and support. KINIK will continue to work hard to create a better future with you hand in hand!

Finally, I wish you all good health and the best of luck!

Sincerely, Chairman PO-CHUAN LIN



February 27, 2024



II. | Company Profile

I. Date of establishment

July 8, 1964

II. Company History

1953	The emery products department of Jin Min Kiln Factory was established and started to produce "vitrified bonded" grinding wheels and grinding stones, becoming the first grinding wheel factory in Taiwan.
1957	Increased capital and reorganized as China Grinding Wheel Company to increase the production of "resinoid bonded" products.
1964	Increased capital for the second time and reorganized into KINIK Company with the addition of "shellac bonded method."
1965	The CNS991 vitrified bonded grinding wheel is approved to use the Cheng Word mark.
1967	Technical cooperation with Mitsui Mining & Smelting Co., Ltd.
1969	Increase the production of "rubber bonded" and "PVA bonded" products.
1978	The CNS 3967 resinoid bonded grinding wheel is approved to use the Cheng Word mark.
1980	A new plant in Shulin was added to mass-produce resin wheels with automated equipment.
1985	Establishment of the BD Manufacturing Department to produce various diamond and CBN grinding wheels.
1988	Establish the KINIK's corporate identification system.
1991	Established the grinding and testing center to serve customers more effectively.
1993	Received the National Outstanding Quality Award (for grinding wheels and grindstones); obtained ISO 9002 certification from the Bureau of Standards, Metrology and Inspection in December.
1994	Accredited with ISO 9002 by BSI in the UK in January; established Hualien Plant to enhance services for customers using diamond saw blades for stone. The CNS 3789, CNS 3790, and CNS 4206 various resinoid bonded methods and the fiber disc grinding wheels are approved to use the Cheng Word mark.
1995	Invested in the production of P.C.D. polycrystalline diamond tools and introduced mirror surface finishing technology for precision grinding - ELID grinding.
1996	The KINIK-Thai Plant in Thailand was reinvested and officially put into production in April; the ISO 9002 certificate from Germany's DQS was obtained in May; the "DiaGrid®" brazing diamond tool was developed.
1997	Introduced Physical vapour deposition method (P.V.D.D.). Coat amorphous diamonds and produce diamond coated tools and molds; obtain world patent for DiaGrid® production method; invested in affiliated company Hongia Industry Co., Ltd. in July; established affiliated company Kinik Precision Grinding Corp. in October.
1998	Introduced the Chemical Vapor Deposition (CVD) diamond coating.
1999	Introduced the ZrN decorative coating and tool coating production equipment.
2000	Established a strategic alliance with Rodel of USA (the largest CMP pad supplier in the world). Promote KINIK's semi-conductor CMP chemical mechanical polishing pad diamond dresser with world patents in the global market.
2001	In March, DiaGrid® CMP Conditioner was awarded the "Certificate of Good Design Product" by the Ministry of Economic Affairs.
2002	In February, the CMP diamond disk was awarded the "Certificate of Good Design Product" by the Ministry of Economic Affairs. In April, the Company was awarded the Ship-To-Stock Certificate as an excellent

- material supplier by TSMC.
In September, the Company was awarded the Most Outstanding Award of the "Industrial Technology Development Award" of the Ministry of Economic Affairs.
In December, the Company merged with House Technology Corp. and reorganized into Hsinchu Plant.
- 2003** In February, the Company worked with US Semicon Tool Inc. to develop the diamond dicing blade for semi-conductor industry use.
In October, the 1994 version of ISO 9002 was converted into the 2000 version of ISO 9001 (German DQS ISO9002 into ISO9001).
- 2004** On April 1, the Company celebrated its 50th founding anniversary and 40th reorganization anniversary.
On April 15, the Company was registered in the emerging stock market shares (Code No. 1560).
On July 30, the application to be listed was submitted.
In September, the Company won the Outstanding Strategic Alliance Partner Award from Rohm and Haas, the world's largest semi-conductor CMP PAD supplier.
In October, the Company won the "Outstanding Enterprise" and "Best Product Award-Diamond Disk (CMP Pad Dresser)" in the 5th National Enterprise Golden Award.
In November, the Company launched aspheric molded optical glass lenses in line with the government's "Two-Trillion, Two-Star Project" industrial policy; it also launched diamond scribes, PCD cutter wheels, cutter shafts, diamond polishing belts, and pressure welding hammers.
- 2005** On January 31, the stock was officially listed, and the stock code is 1560.
Re-election of the Board of Directors on June 13, with Mr. Hsin-Cheng Lin as Chairman (effective date: July 1) and CEO
On June 30, Chairman Yung-Chuan Pai expired and retired.
In September, the Company merged with the affiliate, Kinik Precision Grinding Corp., to form the Semiconductor Materials B.U.. Together with the Abrasives B.U., the Diamond B.U., and the Optoelectronics B.U., there were a total of four business units.
In September, the Company won the ROHM HAAS Best Outstanding Strategic Partner Award.
In December, the Company obtained the ISO 14001:2004 certification for Hsinchu Plant.
- 2006** In January, the Company obtained the ISO 9001:2000 certification for Hsinchu Plant.
In September, the Company won the 2006 Taiwan Superior Brand Award from the Ministry of Economic Affairs.
In November, the Yingge Plant and Zhubei Plant passed the ISO 14001:2004 certification.
In November, the Company received the 2006 Taiwan Excellent Product Excellence Award from the Nanotechnology and Micro System Association of the Republic of China.
- 2007** In February, the Zhubei Plant passed the IECQ QC080000 certification.
In May, the Hsinchu Plant passed the IECQ QC080000 certification.
In September, the Company won the ROHM HAAS Best Outstanding Strategic Partner Award.
In September, the Company was awarded the "NMA Award for Distinguished Industrial Contribution" by the R.O.C. Nanotechnology & Micro System Association.
In October, the Company was awarded with Forbes Asia The Region's Top 200 Small & Midsize Companies"
In November, the Yingge Plant and Hsinchu Plant passed the OHSAS 18001:2007 certification.
In December, the Company won the "Distinguished Contribution Award of 12-inch WLCSP Project" from Xintec Inc.
- 2008** In January, the Zhubei Plant passed OHSAS 18001 certification.
In June, the Company was awarded the "CG6003 Certificate of Corporate System for

- Public Company" from the Taiwan Corporate Governance Association.
On June 13, the re-election of the Board of directors was held, and Mr. Hsin-Cheng Lin was reappointed as Chairman.
- 2009**
2010
- In January, the Stone Business Unit was established to produce various ultra-thin stones.
In February, Mr. Jung-Che Hsieh was reappointed as CEO.
In March, in response to business development needs, the Stone Business Unit was renamed the Precision Materials B.U.
On June 15, Chairman Hsin-Cheng Lin retired, and the Board of Directors re-elected Mr. Yang-Liang Pai as the Chairman.
- 2011**
- In January, the Yingge Plant, Hsinchu Plant, and Zhubei Plant passed the OHSAS 15506:2011 certification.
In March, the Company's Pinaonix processing was awarded with MIT Smile Label for products made in Taiwan.
On June 22, the re-election of the Board of directors was held, and Mr. Yang-Liang Pai was reappointed as Chairman.
In July, the Company was honored with the "Top 100 Taiwan Brands Award" by the Ministry of Economic Affairs.
In November, the Precision Materials B.U. was merged into the Abrasives B.U. in response to the company's operational development needs.
In November, the Company was awarded the "Certificate of Appreciation for the Many Contributions to Industrial and Commercial Development and Employment with a Long History of More Than 40 Years of Business" by the Ministry of Economic Affairs.
- 2012**
- In April, the Company received the "Excellent Supplier Award" from Singapore-based Systems on Silicon Manufacturing Co. Pte. Ltd (SSMC).
In September, the Company was awarded the "Taiwan Golden Rudder Manufacturing Award" by the Taiwan Fine Manufacturer Association.
In November, the Company received the "Excellent Supplier Award" from TSMC.
In December, the Company won the "Excellent Industrial Model Award for Enterprise Sustainable Management" from the New Taipei City Industrial Association.
- 2013**
- In December, the Company was honored with the "Industrial Talent Award - Machinery and Transportation Industry" by the Ministry of Economic Affairs.
In December, the Company was awarded the title of "Hsinchu Industrial Safety & Health Award" by the Industrial Development Administration of the Minister of Economic Affairs.
- 2014**
- In January, the Company obtained the "Badge of Accredited Healthy Workplace_Health Initiation" from the Health Promotion Administration, Ministry of Health and Welfare.
In February, the Company was honored with the "Taiwan Mittelstand Award" by the Ministry of Economic Affairs.
On June 12, the re-election of the Board of Directors was held, and Ms. Man-Li Lin Chen was reappointed as Chairman.
The Company's Yingge Factory won the Excellent Manufacturer award of the "Participation in the 2014 Clean Energy Saving and Carbon Reduction Production Plan" by the New Taipei City Government.
- 2015**
- In October, the Company was awarded the "Certificate of Honor for Outstanding Contribution to CNS Mark Verification" by the Ministry of Economic Affairs.
In November, the Company won the "Fifth Enthusiastic Member Model Award" from the Taiwan Association of Machinery Industry.
- 2016**
- The Company won the "2016 Excellent Businessperson Award for Issuing Uniform Invoices" from the Taipei National Taxation Bureau of the Ministry of Finance.
- 2017**
- In January, the Shulin Factory passed the CNS 15506:2011 verification.
In February, the Company won the "Taiwan Excellence Award - CMP Pyradia CMP diamond disk" from the Ministry of Economic Affairs.
On June 13, the re-election of the Board of Directors was held, and Ms. Man-Li Lin Chen was reappointed as Chairman.
In August, the Company won the honor of "The 4th Taiwan Mittelstand Award" by the

- 2018** Ministry of Economic Affairs.
In February, the Yingge, Shulin, Hsinchu, and Zhubei factories passed the ISO 14001:2015 certification.
In March, the Company and Nihon Yamamura Glass Co., Ltd. jointly established Yamamura Kinik Optical Co., Ltd. to produce and sell molded glass lenses at the Hsinchu Plant.
In April, the Company invested in the electroplating grinding wheel manufacturer, Hongia Industry Co., Ltd., and made it a subsidiary.
In July, the Company invested in the Thailand grinding wheel company, KINIK - Thai Co., Ltd. (KTC) and made it a subsidiary.
In July, the headquarters was relocated to Yingge District, New Taipei City.
In December, the Company won the "25th National Quality Award Certificate of Nomination" from the Ministry of Economic Affairs.
- 2019** In July, the Yingge Factory and Shulin Factory passed the ISO 14064-1:2006 certification.
In October, the Company officially adopted the SAP-ERP system.
In December, the Company won the "Excellent Healthy Workplace Health Management Award" from the Health Promotion Administration, Ministry of Health and Welfare.
In December, the Yingge, Shulin, Hsinchu, and Zhubei factories passed the ISO 45001:2018 certification.
- 2020** In March, the construction of the factory in the Hsinchu Science Park for Reclaimed Wafer Materials B.U. was completed in the Jhunan Science Park; the mass production started and became one of the world's top three reclaimed wafer suppliers.
On June 15, the re-election of the Board of directors was held, and Mr. Po-Chuan Lin was reappointed as Chairman.
In October, Yingge Factory and Shulin Factory were awarded the "AED Certification" by the New Taipei City Government.
In November, the Company obtained the ISO 50001:2018 certification for the Hsinchu Plant.
In December, the Company obtained the "Badge of Accredited Healthy Workplace Health Promotion" from the Health Promotion Administration, Ministry of Health and Welfare.
- 2021** In January, the Company obtained the ISO 45001:2018 certification for the Hsinchu Science Park Plant.
In February, the Company obtained the ISO 14001:2015 certification for the Hsinchu Science Park Plant.
In August, the Yingge Factory and Shulin Factory passed the ISO 14064-1:2018 certification.
In October, the Company received 2022 the 30th Taiwan Excellence Award for 12-inch Reclaimed Wafers.
In November, the Company was awarded the "BUSINESS MERIT AWARD of Total BUSINESS EXCELLENCE" at the 26th NATIONAL QUALITY AWARD from the Executive Yuan, R.O.C.
- 2022** In June, the Company obtained the ISO 14064-1:2018 certification for Hsinchu Plant.
In October, the Company obtained the ISO 50001:2018 certification for the Zhubei Plant.
In November, the ceramic grinding wheels, traditional CMP diamond disks, and reclaimed wafers conducted the ISO 14067 carbon footprint inspection and completed the third-party verification.
- 2023** In April, the Company participated in the disaster prevention and relief activities of the New Taipei City Government and was awarded a certificate of appreciation from the New Taipei City Government.
On June 20, the re-election of the Board of directors was held, and Mr. Po-Chuan Lin was reappointed as Chairman.
In June, Shulin Factory was awarded the "AED Certification" by the New Taipei City



Government.

In July, Yingge Factory was awarded the “AED Certification” by the New Taipei City Government.

In September, the Company released the first sustainability report, the 2022 ESG Report.

In October, the Company was honored as "2023 Excellent Business Invoice Using Distinctive Services" by the Ministry of Finance.

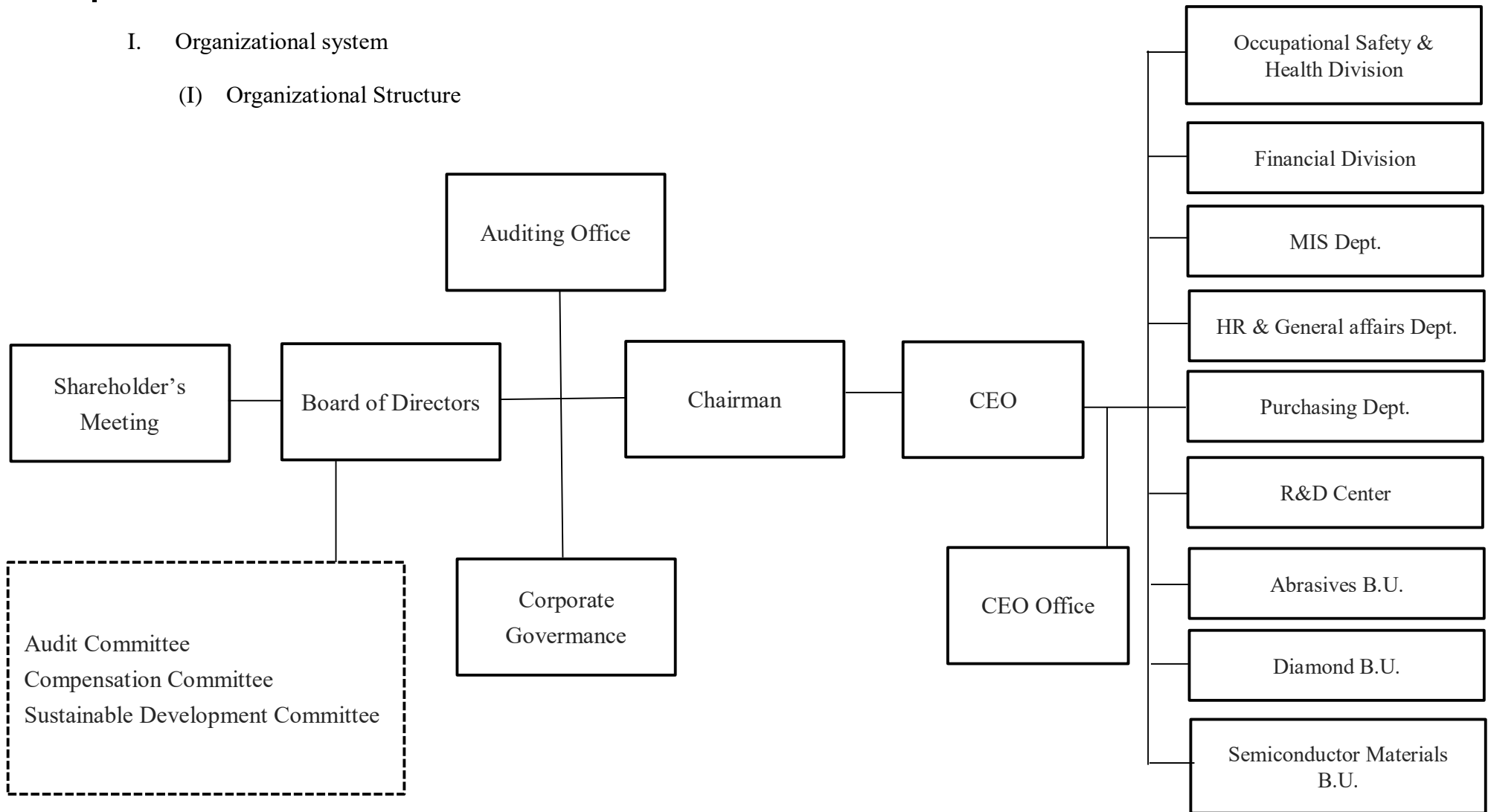
In October, the Company received the 2023 Digital Transformation Model Award from the Taiwan Electrical and Electronic Manufacturers Association in October.

In December, the Company was honored with the "2023 Annual Enterprise Sustainable Development Industrial Model Award" from the New Taipei City Industrial Association.

III. | Corporate Governance Report

I. Organizational system

(I) Organizational Structure



(II) Business operations of each major department

Department	Main responsibilities	Department	Main responsibilities
Chairman's Office	<ol style="list-style-type: none"> 1. Strategic planning of the Company's business 2. Parliamentary unit of the Board of Directors meetings and shareholders' meetings. 3. Shareholders services. 	Financial Division	<p>Financial management - management matters concerning finance, accounting, investment and stock affairs.</p> <p>Performance management - the setting of performance indicators, the setting of goals and the tracking of their achievement and improvement.</p> <ol style="list-style-type: none"> 1. Fundraising and scheduling and cashier operations. 2. Planning and execution of accounting, budgeting and taxation operations. 3. Supply of management information. 4. Management of reinvestment business. 5. Preparation for board of directors' meetings and shareholders' meetings. <p>Operational performance management - the establishment of operational performance indicators, the establishment of goals and the tracking of their achievement and improvement.</p>
CEO office	<p>Planning of the Company's overall operations and supervision on the execution thereof, patent management, Legal affairs, trademark management</p> <ol style="list-style-type: none"> 1. Assist the CEO to deal with the Company's affairs and plan the Company's sustainable business directions. 2. Coordination of project planning. 3. Follow up, communication and coordination of sales departments' operations. 4. Patent-related management 5. Management of trademark-related matters 		
Audit Office	<p>Responsible for planning of audit operations and implementation thereof</p> <ol style="list-style-type: none"> 1. Assist the Board of Directors and managers to check and review the deficiencies in internal control system and measure the effect and efficiency of operations. 2. Ensure the continuing valid implementation of internal control system as the basis for review on the amendments thereto. 	MIS Dept.	<p>Information management - software, hardware and communication equipment management</p> <ol style="list-style-type: none"> 1. Writing and boosting of the programs for the Company's computerization. 2. System analysis and planning. 3. Network management and maintenance. 4. Procurement of software and control over access to the software. 5. Evaluation on maintenance and procurement of hardware information equipment.
Occupational Safety & Health Division	<p>Occupational Safety Health and Environmental Protection Management</p> <ol style="list-style-type: none"> 1. Deciding, planning, supervising and boosting the safety and health management operations. 2. Instruction and assisting various units to implement environmental protection and safety and health plans. 		
R&D Center	<p>Mission: Strengthen basic capabilities and create a new future.</p> <p>core work:</p> <ol style="list-style-type: none"> 1. Become a world-class grinding technology development center. 2. Establish a service platform for intelligent manufacturing and solutions. 3. Create new across-field industrial chains and ecosystems. <p>R&D direction:</p> <ol style="list-style-type: none"> 1. Basic research 	HR & General affairs Dept.	<p>Human Resources Administration - Human resources, training, general administration and document management.</p> <ol style="list-style-type: none"> 1. General administrative affairs processing. 2. Implementing various human resource plans. 3. Environmental cleaning and rectification of the factories. 4. Management of property and wealth-producing appliances. 5. Handling of labor and health insurance matters. 6. Handling of work maintenance matters.

	<ol style="list-style-type: none"> 2. Product improvement 3. Intelligent automation 4. Circular Economy 5. New business development 		<ol style="list-style-type: none"> 7. Handling of training matters. 8. Maintenance of company management rules. 9. Company vehicle management. 10. Issuance of company periodicals
		<p>Purchasing Dept.</p>	<ol style="list-style-type: none"> 1. Procurement management - inventory (raw materials/materials/commodities) 2. Procurement management - non-inventory (machines/projects/consumables) 3. Procurement management - outsourcing. 4. Procurement contract management. 5. Supply chain management. 6. Management of purchased material numbers. 7. Entrusted management of idle assets

Department	Main responsibilities	Department	Main responsibilities
Abrasives B.U.	<p>Design, production, sales and process improvement of traditional products such as Al₂O₃, SiC, diamond, and CBN abrasives.</p> <ol style="list-style-type: none"> 1. Planning and implementation of the quality policy of the Business Unit. 2. Promotion of products, shipment and delivery, payment receipt and credit management for domestic and foreign markets. 3. Service and handling of domestic and foreign customer complaints. 4. Development, intelligence collection and marketing of the international market. 5. Management of overseas agents. 6. Marketing planning and execution of products for distribution. 7. Manufacturing and promotion of various grinding wheel products such as V, B, Mg, and fiber discs. 8. Manufacturing and promotion of BD grinding wheels and trimming knife products. 9. Manufacturing and processing of worktable metal tools and mold products. 10. The processing of subcontract processing. 11. Manufacturing and promotion of vacuum suction cups and ceramic carriers for air-floating transmission. 12. Manufacturing and promotion of bonding tools. 13. Grinding, manufacturing and promotion of precision molds and jigs. 14. Processing, manufacturing and promotion of DLC type diamond film products. 15. Inventory management of raw materials, products and products. 	Diamond B.U.	<p>Design, production, sales and process improvement of new application products of diamond, CBN, and PCD abrasives.</p> <ol style="list-style-type: none"> 1. Processing, manufacturing and promotion of diamond-coated products. 2. Production and promotion of polycrystalline diamond tool products. 3. Manufacturing and promotion of DG products. 4. Processing, manufacturing and promotion of tool coating products. 5. Manufacturing and promotion of dicing blades. 6. Product inventory management. 7. Handling of shipment and delivery matters. 8. Planning and implementation of the quality policy of the Business Unit. 9. Coordination and handling of customer complaints. 10. Inspection of incoming materials and products. 11. Inventory management of raw materials and products. 12. Outsourced processing of products, molds and worktable metal tools. 13. Inspection of the calibration of instruments.
		Semiconductor Materials B.U.	<p>Technical services for the processing of 6/8-inch and 12-inch reclaimed wafers, 8-inch and 12-inch test wafers, carrier wafers, wafering and other compound semiconductor materials.</p> <ol style="list-style-type: none"> 1. Handling of shipment and delivery matters. 2. Planning and implementation of the quality policy of the Business Unit.

		<p>3. Coordination and handling of customer complaints.</p> <p>4. Inspection of incoming materials and products.</p> <p>5. Inventory management of raw materials and products.</p>
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II. Profiles of the Directors, President, Vice Presidents, Assistant Vice Presidents, and heads of the functions and branches

(I) Director Information

April 26, 2024 Unit: shares

Title (note 1)	Nationality or place of registration	Name	Gender Age (note 2)	Election date	Term of office	Date of first appointment (note 3)	Shareholding at the time of appointment		Number of shares currently held		Current shareholding of spouse and minor children		Shareholding in the name of others		Major experience (education) (note 4)	Concurrent position held in the company and other companies	Other business heads, directors or supervisors with a spouse or second-tier relative relationship			Remarks (note 5)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Relationship	Name	Title	
Chairman	Republic of China	KINMEAN COMPANY LTD.	-	2023.06.20	3 years	June 13, 2017	9,892,423	6.86%	9,892,423	6.82%	0	0.00%	0	0%	None	None	None	None	None	Re-elected as successor on June 20, 2023
	Republic of China	Legal representative of Kinik Investment Co., Ltd.: PO-CHUAN LIN	Male 41-50	2023.06.20	3 years	June 15, 2020	1,830,292	1.27%	1,830,292	1.26%	0	0.00%	0	0%	In-service education program of Professional Master's Program in Business Administration, National Taiwan University Department of Public Administration, National Chengchi University	The current Chairman of the Company Chairman of Kinik Investment Ltd. Co. Chairman of Hongia Industry Co. Director of Kinik-Thai Co., LTD Chairman of Kinli Investment Co., Ltd.	None	None	None	Re-elected as successor on June 20, 2023

Title (note 1)	Nationality or place of registration	Name	Gender Age (note 2)	Election date	Term of office	Date of first appointment (note 3)	Shareholding at the time of appointment		Number of shares currently held	Current shareholding of spouse and minor children		Shareholding in the name of others		Major experience (education) (note 4)	Concurrent position held in the company and other companies	Other business leads, directors or supervisors with a spouse or second-tier relative relationship			Remarks (note 5)	
							Shareholding ratio	Number of shares		Shareholding ratio	Number of shares	Shareholding ratio	Number of shares			Relationship	Name	Title		
	Republic of China	Legal representative of Kinik Investment Co., Ltd.: JUNG-CHE HSIEH	Male 61-70	2023.06.20	3 years	97.06.13	295,943	0.21%	295,943	0.2%	15,482	0.01%	0	0%	Master of Mechanical Engineering, Keio University, Japan EMBA, National Taiwan University Leader of the Fine Components Technology Group, Mechanical and Mechatronics System Lab., Industrial Technology Research Institute Host of the Ministry of Economic Affairs Program	CEO of the company Chairman of Hongja Industry Co. Director of Kinik-Thai Co., LTD	None	None	None	Before his re-election on June 20, 2023, he represented the institutional director of KINKI INV LTD. COMPANY; after his re-election, he represented the institutional director of KINMEAN COMPANY LTD.
Directors	Republic of China	Kinchuan Investment Co.Ltd.	-	2023.06.20	3 years	112.06.20	4,117,167	2.86%	4,117,167	2.84%	0	0%	0	0%	None	None	None	None	New	

Title (note 1)	Nationality or place of registration	Name	Gender Age (note 2)	Election date	Term of office	Date of first appointment (note 3)	Shareholding at the time of appointment		Number of shares currently held		Current shareholding of spouse and minor children		Shareholding in the name of others		Major experience (education) (note 4)	Concurrent position held in the company and other companies	Other business leads, directors or supervisors with a spouse or second-tier relative relationship			Remarks (note 5)
							Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares			Relationship	Name	Title	
	Republic of China	Legal representative of Kinchuan Investment Co., Ltd.; Wen-Liang Pai	Male 61-70	2023.06.20	3 years	June 13, 2005	3,190,605	2.21%	3,190,605	2.2%	1,310,940	0.9%	0	0%	Ph.D., Business and Management, Huron International University, USA	Deputy Chairman of the company Chairman of Kinchuan Investment Co. Ltd.	None	None	None	Before his re-election on June 20, 2023, he was a natural-person director of the Company; after his re-election, he represented the institutional director of Kinchuan Investment Co. Ltd.
Directors	Republic of China	LI-HE INV. LTD. COMPANY	-	2023.06.20	3 years	June 13, 2017	2,471,420	1.72%	2,471,420	1.7%	0	0%	0	0%	None	None	None	None	None	Re-appointment
	Republic of China	Legal representative of Lihe Investment Co., Ltd.; Tony Pai	Male 41-50	2023.06.20	3 years	June 13, 2017	600,000	0.42%	620,000	0.43%	20,000	0.01%	0	0%	Master of Materials, University of Southern California Assistant R&D Manager, TSMC	Vice President of the Chairman's Office of the Company Director of Lihe Investment Co., Ltd. Chairman of Hongjia Industry Co.	None	None	None	Re-appointment

Title (note 1)	Nationality or place of registration	Name	Gender Age (note 2)	Election date	Term of office	Date of first appointment (note 3)	Shareholding at the time of appointment		Number of shares currently held	Current shareholding of spouse and minor children	Shareholding in the name of others		Major experience (education) (note 4)	Concurrent position held in the company and other companies	Other business leads, directors or supervisors with a spouse or second-tier relative relationship			Remarks (note 5)		
							Number of shares	Shareholding ratio			Number of shares	Shareholding ratio			Number of shares	Shareholding ratio	Relationship		Name	Title
Directors	Republic of China	KINKI INV LTD. COMPANY	-	2023.06.20	3 years	June 15, 2020	4,796,000	3.33%	4,796,000	3.3%	0	0%	0	0%	None	None	None	None	None	Re-appointment
	Republic of China	Legal representative of Kinki Investment Ltd. Co.; William Lee	Male 51-60	2023.06.20	3 years	2022.06.22	500,427	0.35%	651,000	0.45%	1,000	0%	0	0%	Master of Institute of Geosciences, National Taiwan University Glordia Corporation	President of the Company's Diamond B. U. Spokesperson of the Company Independent Director of G.M.I Technology Inc. Chairman of Dongguan Jinli Grinding Wheel Trading Co., Ltd.	None	None	None	Before his re-election on June 20, 2023, he was a natural-person director of the Company; after his re-election, he represented the institutional director of KINKI INV LTD. COMPANY

Title (note 1)	Nationality or place of registration	Name	Gender Age (note 2)	Election date	Term of office	Date of first appointment (note 3)	Shareholding at the time of appointment		Number of shares currently held		Current shareholding of spouse and minor children		Shareholding in the name of others		Major experience (education) (note 4)	Concurrent position held in the company and other companies	Other business leads, directors or supervisors with a spouse or second-tier relative relationship			Remarks (note 5)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Relationship	Name	Title	
	Republic of China	Legal representative of Kinki Investment Ltd. Co.: FU-IHUNG	Male 61-70	2023.06.20	3 years	2022.06.22	190,000	0.13%	10,000	0.01%	0	0%	0	0%	Master, College of Technology Management, Tsing Hua University Deputy Engineer of Mechanical and Mechatronics System Lab., Industrial Technology Research Institute	President of the Company's Wafer Business Department	None	None	None	Before his re-election on June 20, 2023, he was a natural-person director of the Company; after his re-election, he represented the institutional director of KINKI INV LTD. COMPANY
Independent Director	Republic of China	Hsin-Yuan Tsai	Male 71-80	2023.06.20	3 years	June 13, 2017	0	0%	0	0%	0	0%	0	0%	PhD, University of Wisconsin-Madison Campus Chairman of Intellectual Property Innovation Corporation Chief Executive Officer of Southern Region Campus of Industrial Technology Research Institute Director of the Mechanical and Mechatronics System Lab., Industrial Technology Research Institute	Chairman of Athena Innovation Investment and Service Company Independent Director of TONGTAI MACHINE & TOOL CO., LTD.	None	None	None	Re-appointment

Title (note 1)	Nationality or place of registration	Name	Gender Age (note 2)	Election date	Term of office	Date of first appointment (note 3)	Shareholding at the time of appointment		Number of shares currently held	Current shareholding of spouse and minor children	Shareholding in the name of others		Major experience (education) (note 4)	Concurrent position held in the company and other companies	Other business leads, directors or supervisors with a spouse or second-tier relative relationship			Remarks (note 5)		
							Number of shares	Shareholding ratio			Number of shares	Shareholding ratio			Number of shares	Shareholding ratio	Relationship		Name	Title
Independent Director	Republic of China	Po-Hsi Liao	Male 61-70	2023.06.20	3 years	June 13, 2017	374,252	0.26%	359,252	0.25%	0	0%	0	0%	Master of Business Administration, University of San Francisco, USA Master of Electrical Engineering, Rensselaer Institute of Technology, USA Chairman of Howard Hotels., Ltd. Vice Chairman of South China Insurance Co., Ltd. Chairman of China Electric Corporation Director of Weltrend Semiconductor, Inc.	Director of Hua Nan Engineering Co., Ltd. Director of South China Insurance Co., Ltd.	None	None	None	Re-appointment
Independent Director	Republic of China	Wen-Yi Hsiao	Male 41-50	2023.06.20	3 years	June 15, 2020	0	0%	0	0%	0	0%	0	0%	PhD, Institute of Electronic Engineering, National Kaohsiung University of Science and Technology Associate Professor, Wu Feng University Lecturer, Taiwan Police College Lecturer, Tatung Institute of Technology	Chairman of Xin Wang Management Consultant Co., Ltd. Chairman of Yan Ding Land Co., Ltd. Director of Yan Ding Investment Co., Ltd.	None	None	None	Re-appointment

Note 1: For corporate shareholders, list the names of corporate shareholders and their representatives separately (for representatives of corporate shareholders, indicate the names of the corporate shareholders), and fill in Table 1 below.

Note 2: Please list the actual age and express it in a range, i. e. 41-50 years old or 51-60 years old.

Note 3: Fill in the time when first serving as a director or supervisor of the company. If there is any interruption, it shall be noted.

Note 4: The experience related to the current position. If the person has worked in the company's auditing firm or its related company during the aforementioned period, state the title and responsibilities.

Note 5: If the chairman of the company and the president or the person with an equivalent position (the top manager) are the same person or each other's spouse or relatives, state the reason, rationality, necessity, and countermeasures (such as increasing the number of independent directors, and there should be more than half of the directors who are not concurrent employees or managers, etc.).

1. Major shareholders of corporate shareholders

- (I) For a representative of a corporate shareholder, list the name of the corporate shareholder, and the name and shareholding ratio of the corporate's top ten shareholders:

April 26, 2024

Name of corporate shareholder	Major shareholders of corporate shareholders
KINMEAN COMPANY LTD.	MAN-LI LIN CHEN (30.46%), PO-CHUAN, LIN (32.40%), PO-YIN LIN (32.40%), HENG-HUI LIN (0.68%), HSIAO-HSI LIN (0.68%), FENG-YU TING (0.68%), YU-NING TING (0.68%), WEBSTER COMPANY LTD. (2.02%).
Kinchuan Investment Co.Ltd.	Kinan Investment Co., Ltd. (100%)
LI-HE INV. LTD. COMPANY	YANG-LIANG PAI (50.00%), FENG-MEI CHIANG PAI(37.50%), TONY PAI (4.50%), CHING-FANG PAI (4.00%), YU-CHUANG PAI (4.00%)
KINKI INV LTD. COMPANY	PO-CHUAN, LIN (38.06%), PO-YIN LIN (38.04%), PRICELITE LIMITED (23.90%)

- (II) If a major shareholder is a legal person, the name of the legal person and the shareholding ratio of the legal person's shareholders account for the top ten shareholders and their shareholding ratio:

April 26, 2024

Corporate name	Major shareholder of the corporate
Webster Co., Ltd.	Kinmean Company Ltd. (48.33%); MAN-LI, LIN CHEN (18.39%); PO-CHUAN, LIN (16.64%); PO-YIN, LIN (16.64%)
Kinan Investment Co., Ltd.	WEN-LIANG, PAI (49.17%), YU-HUA, LIN (29.17%), CHE-AN PAI (14.60%), HSIN-PING PAI (7.06%)
PRICELITE LIMITED	Golden Logo Global Ltd(100%)

2. Information Disclosure on Directors' Professional Qualifications as well as Independent Directors' Independence

Name	Qualification	Professional Qualifications and Experience	Independence Status	The number of additional posts as Independent Directors with other publicly-traded companies
<p>KINMEAN COMPANY LTD. Representative: PO-CHUAN LIN (Chairman)</p>	<p>Professional Master's Program in Business Administration, National Taiwan University.</p> <p>Concurrently serves as Chairman of Hongia Industry Co., Ltd., Responsible person of KINKI INV LTD. COMPANY and Director of Chairman of Kinik-Thai Co., LTD.</p> <p>Mr. Po-Chuan Lin has been working for the Company for more than 10 years. He began his career as a junior salesman and worked his way up to the position of special assistant to the Chairman. He has accumulated considerable practical experience and the abilities in marketing, investment, corporate management, and operation management.</p> <p>In terms of sustainable operation, the Chairman promoted the Company's adherence to the Responsible Business Alliance (RBA) code</p>			<p>None</p>

	<p>of conduct, established the Sustainable Development Committee, prepared the sustainability report, and formulated short-, medium-, and long-term sustainability plans during his tenure to plan the development roadmap.</p>	<p>Not applicable since he/she is not an independent director</p>	
<p>Kinchuan Investment Co.Ltd. Representative: WEN-LIANG PAI (Vice Chairman)</p>	<p>Ph.D., Business and Management, Huron University, USA. He was the Chairman of the Taiwan Top Management & International Trade Institute, and has served our company for over 40 years. He possesses experiences in the fields with both academic and practical workplace skills in business, finance, information, and public relations management.</p>		<p>None</p>
<p>KINMEAN COMPANY LTD. Representative: JUNG-CHE HSIEH (Director)</p>	<p>M.S., Mechanical Engineering, Keio University, Japan; EMBA, National Taiwan University, Taiwan He was the Leader of the Fine Components Technology Group at the Mechanical and Mechatronics Systems Research Laboratories, ITRI. He has been working in the field of precision ground hard and brittle materials and has led his team to establish the first reclaimed wafer fab in Taiwan with ductile mode grinding process.</p>		<p>None</p>

	<p>He is recognized as a top ten Excellent Young Engineers Award and an outstanding general manager by the Chinese Professional Management Association of Hsinchu. He has demonstrated his ability to lead the team. He also has the ability to manage and oversee the industrial development and the application of technology.</p>		
<p>LI-HE INV. LTD. COMPANY Representative: CHING-CHUNG PAI (Director)</p>	<p>Master's Degree in Materials Science and Engineering from USC. Currently a Director of Hongia Industry Co., Ltd., a Director of LI-HE INV. LTD. COMPANY, and the Acting Spokesperson of Kinik Company Over 15 years of experience in the management and strategic management of the semi-conductor industry. Possessed with business management, R&D, public relations, and industrial technology capabilities.</p>		<p>None</p>
<p>Representative of KINKI INV LTD. COMPANY: Director William Lee</p>	<p>He holds a master's degree in Geology, National Taiwan University. He is currently the Company's spokesman and president of Diamond B. U.. He has been involved in the semi-conductor industry for many years and is highly sensitive to industry trends and market changes. He also has public</p>		<p>1</p>

	relations and crisis management skills.		
Representative of KINKI INV LTD. COMPANY: Director Fu-I Hung	He holds a master's degree from the School of Technology Management, Tsing Hua University. He used to work as an associate engineer in the Mechanical Engineering Laboratory of the Industrial Technology Research Institute, specializing in the field of reclaimed wafers, industrial management and sales market.		None
SHING-YUAN TSAI (Independent Director)	He received his Ph.D. from the University of Wisconsin, trained at Pittler Group in Germany, and graduated from Stanford University and the Wharton School of Business in Pennsylvania. He is now the Chairman of Athena Innovation Investment and Service Company. He served as an assistant director at ITRI and is experienced in electric machine, law, business management and corporate governance.	(1) Whether an independent director, spouse, or relative within the 2nd degree of kinship of the Company serves as a director, supervisor, or employee of the Company or its affiliates: None. (2) Number and percentage of shares held by independent directors, their spouses, or relatives within the second degree of kinship (or in the name of others): None. (3) Do the independent directors serve as directors, supervisors, or employees of companies specifically related to the Company (refer to Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies): None.	1
BAUL-HSIE LIAO (Independent Director)	Master of Business Administration, University of San Francisco, USA, and Master of Electrical Engineering, Rensselaer Polytechnic Institute, USA. He is the Chairman of Fu Fong Investment Co., Ltd., Director of Howard Hotels., Ltd., and		None

	<p>Director of China Electric Manufacturing Corporation. He has the ability to develop and operate business, and has led the companies to create new business opportunities. He has been dedicated to the tourism and hotel business for many years, and is experienced in business laws and corporate governance.</p>	<p>(4) Amount of remuneration for providing the Company or its affiliates with commercial, legal, financial, and accounting services in the last 2 years: None. The Company has verified the independence criteria pursuant to the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" promulgated by the Financial Supervisory Commission; the independent director has signed the declaration of independence.</p>	
<p>WEN-I HSIAO (Independent Director)</p>	<p>Ph.D., Department of Electronic Engineering (Business Administration), National Kaohsiung University of Science and Technology. He is the Chairman of Xin Wong Management Consulting Co., Ltd. and Director of Yan Ding Investment Co. Ltd. He was formerly a marketing consultant for domestic and foreign listed companies. He has expertise in management, marketing, and investment, and has taught at several colleges for more than ten years. He is the author of books on management and corporate public relations.</p>		<p>None</p>

3. Diversity and independence of the board of directors

(1) Diversity of the board of directors:

According to Paragraph 2 of Article 20 of the Company's "Corporate Governance Best Practice Principles," the Company's Board of Directors shall be composed by more than five directors in response to the practical needs, subject to the Company's business development scale and major shareholders' shareholding.

Meanwhile, according to Paragraph 3 and Paragraph 4 of the same Article, the Board member diversification shall be taken into account. The directors who serve as the Company's managers concurrently shall be no more than one-third of the total directors. Meanwhile, the Company shall set forth an adequate Board diversity policy subject to its own operations, business type, and development needs. The Board members shall possess the knowledge, skills, and competency required for the performance of their duties. The Company also pays attention to gender equality in the composition of the Board of Directors and aims to have at least one female director. At present, all the members of the Board of Directors are male. In the future, the Company will try its best to increase the number of female directors to achieve this goal.

(2) Independence of the board of directors:

The Company has obtained a written declaration from each independent director confirming the independence of that director and his/her immediate family members from the Company, as required by the Listing Rules.

(II) Information of presidents, vice presidents, function directors and heads of various departments and branches

April 26, 2024 Unit: shares

Title (note 1)	Nationality	Name	Gender	Election date	Shareholding		Shareholding of spouse and minor children		Shareholding in the name of others		Major experience (education) (note 2)	Concurrent positions at other companies at the moment	Managers with a spouse or second-tier relative relationship			Remarks (note 3)
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
CEO	Republic of China	JUNG-CHE HSIEH	Male	February 9, 2010	295,943	0.2%	15,482	0.01%	0	0%	Master of Mechanical Engineering, Keio University, Japan EMBA, National Taiwan University Leader of the Fine Components Technology Group, Mechanical and Mechatronics System Lab., Industrial Technology Research Institute	(note 4)	None	None	None	None
Vice President of Abrasives B.U.	Republic of China	Shao-Chung Hu	Male	February 1, 2022	63,325	0.04%	0	0%	0	0%	PhD of Materials Science and Engineering, National Taiwan University	None	None	None	None	None
President of Diamond B. U.	Republic of China	William Lee	Male	January 1, 2001	651,000	0.45%	1,000	0%	0	0%	Master of Institute of Geosciences, National Taiwan University	(Note 7)	None	None	None	None
Semiconductor Materials B.U. President	Republic of China	FU-I HUNG	Male	March 15, 2010	10,000	0.01%	0	0%	0	0%	Master, College of Technology Management, Tsing Hua University Deputy Engineer of Mechanical and Mechatronics System Lab., Industrial Technology Research Institute	None	None	None	None	None
Vice President of Chairman's Office	Republic of China	Tony Pai	Male	June 13, 2017	620,000	0.43%	20,000	0.01%	0	0%	Master of Materials, University of Southern California	(note 5)	None	None	None	None
Vice President of Diamond B.U.	Republic of China	Jui-Lin Chou	Male	January 1, 2021	0	0%	100	0%	0	0%	Institute of Materials Science and Engineering, National Taiwan University	None	None	None	None	None
CFO	Republic of China	YUNG-SHENG KU	Male	2021/2/24	20,000	0.01%	0	0%	0	0%	Bachelor, Department of Accounting, Tamkang University	(note 6)	None	None	None	None
Audit Director	Republic of China	Yi-Chun	Female	November 30,	10,000	0.01%	0	0%	0	0%	Institute of accounting, Tamkang	None	None	None	None	None

		Ko	e	2007							University					
Director of Abrasives B.U.	Republic of China	Chien-Chung Teng	Male	September 10, 2019	50,212	0.03%	0	0%	0	0%	Doctor of Nanoengineering, North Illinois University	None	None	None	None	None
Director of Semiconductor Materials B.U.	Republic of China	Chi-Tung Tsai	Male	May 1, 2016	1,572	0%	0	0%	0	0%	Department of Industrial Engineering, Chung Yuan Christian University	None	None	None	None	None
Director of Semiconductor Materials B.U.	Republic of China	Wen-Hsiung Chou	Male	May 1, 2016	0	0%	0	0%	0	0%	Institute of Industrial and Systems Engineering, Chung Hua University	None	None	None	None	None
Director of Semiconductor Materials B.U.	Republic of China	Tien-Chi Cheng	Male	May 1, 2020	0	0%	0	0%	0	0%	Advanced Master of Management Program, National Taiwan Normal University	None	None	None	None	None
R&D Director	Republic of China	James Ho	Male	February 1, 2016	0	0%	0	0%	0	0%	PhD of Institute of Mechanical Engineering, National Central University	None	None	None	None	None

Note 1: Please include the information of presidents, vice presidents, function directors and heads of various departments and branches, and those whose positions are equivalent to presidents, vice presidents or function directors; such information shall be disclosed regardless of their professional titles.

Note 2: The experience related to the current position. If the person has worked in the company's auditing firm or its related company during the aforementioned period, state the title and responsibilities.

Note 3: If the chairman of the company and the president or the person with an equivalent position (the top manager) are the same person or each other's spouse or relatives, state the reason, rationality, necessity and countermeasures (such as increasing the number of independent directors, and there should be more than half of the directors who are not concurrent employees or managers, etc.).

Note 4: Director of Hongia Industry Co., Ltd. (appointed corporate representative), and Director of Kinik-Thai Co., LTD. (appointed corporate representative).

Note 5: Director (designated representative of legal person) of Hongia Industry Co., Ltd.; Director of Dongguan Jinli Grinding Wheel Trading Co., Ltd. (designated representative of legal person) ; Director of LI-HE INV. LTD. COMPANY.

Note 6: Supervisor of Hongia Industry Co., Ltd. (designated representative by the legal person), Supervisor of Dongguan Jinli Grinding Wheel Trading Co., Ltd. (designated representative by the legal person)

Note 7: Chairman of Dongguan Jinli Grinding Wheel Trading Co., Ltd. (designated representative of the legal person), Independent Director of G.M.I Technology Inc.

III. Remunerations to the Directors, President, and Vice Presidents in the most recent year

(I) Remuneration of general directors and independent directors (consolidated and name disclosure by tier):

Unit: Thousand NTS

Title	Name	Remuneration of Directors										Receipt of remuneration as concurrent employees								Percentage of total amount of A, B, C, D, E, F and G to net profit after tax (%)		Remuneration received from a non-subsidiary reinvested enterprise or parent company				
		Remuneration (A)		Retirement pension (B)		Directors' remuneration (C)		Business execution fee (D)		Percentage of total amount of A, B, C and D to net profit after tax (%)		Salary, bonus and special fee (E) (note 1)		Retirement pension (F)		Employees' remuneration (G)				All companies	In the financial report of the company					
		All companies	In the financial report of the company	All companies	In the financial report of the company	All companies	In the financial report of the company	All companies	In the financial report of the company	All companies	In the financial report of the company	All companies	In the financial report of the company	All companies	In the financial report of the company	Cash amount	Monetary amount of shares	Cash amount	Monetary amount of shares							
Chairman	KINMEAN COMPANY LTD. Representative: PO-CHUAN LIN	0	0	0	0	1,800	1,800	0	0	1,800	1,800	0.21%	0.21%	35,197	35,197	10,350	10,350	19,716	0	19,716	0	74,863	8.79%	74,863	8.68%	None
Directors	Kinchan Investment Co. Ltd. Representative: Wen-Liang Pai	300	300	0	0	1,500	1,500	0	0	1,800	1,800	0.21%	0.21%													
Directors	KINMEAN COMPANY LTD. Representative: JUNG-CHE HSIEH	0	0	0	0	1,500	1,500	0	0	1,500	1,500	0.18%	0.17%													
Directors	LI-HE INV. LTD. COMPANY Representative: CHING-CHUNG PAI	0	0	0	0	1,500	1,500	0	0	1,500	1,500	0.18%	0.17%													
Directors	KINKI INV.LTD. COMPANY Representative: William Lee	0	0	0	0	1,500	1,500	0	0	1,500	1,500	0.18%	0.17%													
Directors	KINKI INV.LTD. COMPANY Representative: Fu-I Hung	0	0	0	0	1,500	1,500	0	0	1,500	1,500	0.18%	0.17%													

Title	Name	Remuneration of Directors								Percentage of total amount of A, B, C and D to net profit after tax (%)		Receipt of remuneration as concurrent employees						Percentage of total amount of A, B, C, D, E, F and G to net profit after tax (%)		Remuneration received from a non-subsi-dary reinvested enterprise or parent company						
		Remuneration (A)		Retirement pension (B)		Directors' remuneration (C)		Business execution fee (D)		All companies	In the financial report of the company	Salary, bonus and special fee (E) (note 1)		Retirement pension (F)		Employees' remuneration (G)		All companies	In the financial report of the company							
		All companies	In the financial report of the company	All companies	In the financial report of the company	All companies	In the financial report of the company	All companies	In the financial report of the company			All companies	In the financial report of the company	All companies	In the financial report of the company	Cash amount	Monetary amount of shares				Cash amount	Monetary amount of shares				
Independent Director	Hsin-Yuan Tsai	600	600	0	0	1,500	1,500	6	6	2,106	2,106	0	0	0	0	0	0	0	0	6,318	6,318	None				
Independent Director	Po-Hsi Liao	600	600	0	0	1,500	1,500	6	6	2,106	2,106												0.25%	0.24%	0.74%	0.73%
Independent Director	Wen-Yi Hsiao	600	600	0	0	1,500	1,500	6	6	2,106	2,106												0.25%	0.24%		

1. Please state the remuneration policies, systems, standards and structures about independent directors and the connection of the factors, such as responsibilities, risk and contributed hours, with the amount of remuneration: According to Article 25 of the Articles of Incorporation, if the Company retains earnings at the end of any fiscal year, the Company shall allocate no less than 1% of the earnings as the remuneration to employees, which shall be distributed in the form of stock or in cash upon a resolution adopted at a meeting of the Board of Directors. The recipients entitled to receive the remuneration include the employees of subsidiaries of the Company meeting certain specific requirements. The Company may also allocate no more than 2% of said earnings as the remuneration to directors upon a resolution adopted at a meeting of the Board of Directors. It should be considered reasonable if the remuneration to directors varies depending on the earnings. 2. In addition to the disclosure in the above table, in the most recent fiscal year, the compensation received by Directors from the service rendered (For example, serving as a consultant to all non-employees of the parent company/companies included in the financial statements/reinvestment business): No such situation.

Note 1: Including the cost of providing the car, NT\$14,170 thousand. 2.: The Company did not actually pay or allocate retirement benefits to directors in 2023.

Directors' Remuneration Tier Table

Tiers of remuneration of directors of the company	Name of director			
	Total remuneration of the first four items (A + B + C + D)		Total remuneration of the first seven items (A + B + C + D + E + F + G) (note 1)	
	All companies	In the financial report of the company	All companies	In the financial report of the company
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	Representative of KINMEAN COMPANY LTD.: PO-CHUAN LIN Representative of KINMEAN COMPANY LTD.: JUNG-CHE HSIEH Representative of KINKI INV LTD. COMPANY: William Lee Representative of KINKI INV LTD. COMPANY: FU-I HUNG Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai Representative of LI-HE INV. LTD. COMPANY: CHING-CHUNG PAI	Representative of KINMEAN COMPANY LTD.: PO-CHUAN LIN Representative of KINMEAN COMPANY LTD.: JUNG-CHE HSIEH Representative of KINKI INV LTD. COMPANY: William Lee Representative of KINKI INV LTD. COMPANY: FU-I HUNG Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai Representative of LI-HE INV. LTD. COMPANY: CHING-CHUNG PAI	None	None
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Hsin-Yuan Tsai Po-Hsi Liao Wen-Yi Hsiao	Hsin-Yuan Tsai Po-Hsi Liao Wen-Yi Hsiao	Hsin-Yuan Tsai Po-Hsi Liao Wen-Yi Hsiao	Hsin-Yuan Tsai Po-Hsi Liao Wen-Yi Hsiao
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)	None	None	None	None
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	None	None	KINMEAN COMPANY LTD. Representative: PO-CHUAN LIN LI-HE INV. LTD. COMPANY Representative: CHING-CHUNG PAI	KINMEAN COMPANY LTD. Representative: PO-CHUAN LIN LI-HE INV. LTD. COMPANY Representative: CHING-CHUNG PAI
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	None	None	Representative of KINKI INV LTD. COMPANY: William Lee	Representative of KINKI INV LTD. COMPANY: William Lee

			Representative of KINKI INV LTD. COMPANY: Director Fu-I Hung	Representative of KINKI INV LTD. COMPANY: Director Fu-I Hung
NT\$15,000,000 (inclusive)~NT\$20,000,000 (exclusive)	None	None	Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai KINMEAN COMPANY LTD. Representative: JUNG-CHE HSIEH	Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai KINMEAN COMPANY LTD. Representative: JUNG-CHE HSIEH
Total	9 people	9 people	9 people	9 people

Note 1: Including the cost of providing the car, NT\$14,170 thousand.

(II) Remuneration of Presidents and Vice Presidents (consolidated and name disclosure by tier):

Unit: Thousand NTS

Title	Name	Salary (A)		Retirement pension (B)		Bonus and special fee (C) (note 1)		Employee remuneration (D)				Percentage of total amount of A, B, C and D to net profit after tax (%)		Remuneration received from a non-subsiary reinvested enterprise or parent company
		All companies	In the financial report of the company	All companies	In the financial report of the company	All companies	In the financial report of the company	All companies		In the financial report of the company		All companies	In the financial report of the company	
								Cash amount	Monetary amount of shares	Cash amount	Monetary amount of shares			
CEO	JUNG-CHE HSIEH	13,420	13,420	0	0	17,438	17,438	20,203	0	20,203	0	51,061 5.99%	51,061 5.92%	None
Vice President of Abrasives B.U.	Shao-Chung Hu													
President of Diamond B. U.	William Lee													
Semiconductor Materials B.U. President	FU-I HUNG													
Vice President of Chairman's Office	Tony Pai													

Note 1: Including the cost of providing the car, NT\$12,670 thousand.

Remuneration Tier Table

Tiers of remuneration of presidents and vice presidents of the company	Names of the president and vice president	
	All companies (note 1)	In the financial report of the company
Below NT\$1,000,000	None	None
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	None	None
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive)~NT\$10,000,000 (exclusive)	Tony Pai Shao-Chung Hu	Tony Pai Shao-Chung Hu
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	William Lee FU-I HUNG JUNG-CHE HSIEH	William Lee FU-I HUNG JUNG-CHE HSIEH
Total	5 people	5 people

Note 1: Including the cost of providing the car, NT\$12,670 thousand.

(III) Name of the manager to whom employees' remuneration is distributed and the distribution situation

April 26, 2024 Unit: NT\$ Thousand

	Title	Name	Monetary amount of shares	Cash amount	Total	Percentage of net profit after tax (%)
Managers	CEO	JUNG-CHE HSIEH	0	27,198	27,198	3.15%
	President of Diamond B. U.	William Lee				
	Semiconductor Materials B.U. President	FU-I HUNG				
	Vice President of Chairman's Office	Tony Pai				
	Vice President of Abrasives B.U.	Shao-Chung Hu				
	Vice President of Diamond B.U.	Jui-Lin Chou				
	CFO	YUNG-SHENG KU				
	Director of Abrasives B.U.	Chien-Chung Teng				
	Director of Semiconductor Materials B.U.	Chi-Tung Tsai				
	Director of Semiconductor Materials B.U.	Wen-Hsiung Chou				
	Director of Semiconductor Materials B.U.	Tien-Chi Cheng				
	R&D Director	James Ho				
	Audit Director	Yi-Chun Ko				

(IV) Analysis of the proportion of total remuneration paid by the company and all companies in the financial report to the company’s directors, supervisors, presidents and vice presidents to the net profit after tax in the last two years, and explanation of the remuneration policy, standard and combination, the procedure of remuneration setting and the relevance with business performance.

See the table on the right.

Directors' remuneration includes remuneration and salary. It is based on the provisions of the Company's Articles of Incorporation, and the board of directors prepares a distribution plan and submits it to the shareholders' meeting for payment. The remuneration of presidents and vice presidents includes salary, bonus and employees' remuneration. The standard of payment varies in accordance with the company's salary management measures, position and responsibility assumed, and the company's operating performance. The 2023 year-end bonus policy has been approved by the Compensation Committee.

Year Title	2023 (Note)		2022	
	All companies	In the financial report of the company	All companies	In the financial report of the company
Directors	8.81%	8.71 %	6.42%	6.28%
Presidents and vice presidents				
Note: The amount of remuneration distributed in 2023 is the proposed amount.				

IV. Corporate Governance Operation

(I) Operation of the board of directors

1. Information on the operation of the board of directors

A total of 8 general board meetings were held in the most recent year, and the attendance of

directors is as follows:

Title	Name	Actual number of attendance	Number of delegated attendants	Actual rate of attendance	Remarks
Chairman	KINMEAN COMPANY LTD. Representative: PO-CHUAN LIN	7	1	87.50	
Directors	Kinchuan Investment Co. Ltd. Representative: Wen-Liang Pai	8	0	100.00	
Directors	KINMEAN COMPANY LTD. Representative: JUNG-CHE HSIEH	8	0	100.00	
Directors	LI-HE INV. LTD. COMPANY Representative: CHING-CHUNG PAI	7	0	87.50	
Directors	KINKI INV LTD. COMPANY Representative: William Lee	8	0	100.00	
Directors	KINKI INV LTD. COMPANY Representative: Fu-I Hung	8	0	100.00	
Independent	Hsin-Yuan Tsai	8	0	100.00	

Director					
Independent Director	Po-Hsi Liao	8	0	100.00	
Independent Director	Wen-Yi Hsiao	8	0	100.00	
<p>Other matters to be recorded:</p> <p>一、If the operation of the board of directors has any of the following circumstances, state the date, session number and proposal contents of the board of directors' meeting, all independent directors' opinions, and the company's handling of independent directors' opinions:</p> <p>(I) Matters specified in Article 14-3 of the Securities and Exchange Act: For details, please refer to Section IV. Corporate Governance (XIII) Important resolutions reached in meetings of shareholders and board of directors in the most recent year and up to the publication date of this annual report</p> <p>(II) In addition to the previous matters, other board of directors resolutions that were opposed to or with opinions reserved by independent directors, and the records or written statements are retained: No such situation.</p> <p>II. On the implementation of directors' avoidance of interest related proposals, state the name of the director, the content of the proposal, the reason for avoidance and the status of participation in voting: There were no avoidance circumstances other than those related to salary.</p> <p>III. Listed and OTC companies shall disclose the evaluation cycle and period, scope, method, and content of the board of directors' self (or peer) evaluation, and fill in the attached Table 2 (2) Implementation status of the board of directors' evaluation.</p> <p>IV. The objectives of strengthening the board of directors' responsibilities in the current and recent years (such as establishing an audit committee, enhancing information transparency, etc.) and evaluation of the implementation: None</p>					

2. Implementation of performance assessment on the Board of Directors

(1) The implementation of performance assessment on the Board of Directors in 2023:

Frequency of assessment	Assessment period	Scope of assessment	Method of assessment	Content of assessment
Once a year	January 1, 2023, to December 31, 2023	Board of Directors	Self-evaluation of the Board of Directors	The indicators consist of the participation level in the management of the Company, enhancement of the decision-making quality of the Board, composition and structure of the Board of Directors, election and continuing education of directors and internal controls.
Once a year	January 1, 2023, to December 31, 2023	Individual Board members	Self-evaluation of Board members	The indicators consist of alignment with the Company's goals and mission, comprehension of the responsibilities of the Directors, participation level in the management of the Company, management of internal relations and

				communication, profession and continuing education of directors and internal controls.
Once a year	January 1, 2023, to December 31, 2023	Compensation Committee Member	Compensation Committee Members' Self-Evaluation	The indicators consist of participation level in the management of the Company, comprehension of the responsibilities of the functional committee, enhancement of the decision-making quality of the functional committee and composition of functional committee and appointment of members and internal controls.
Once a year	January 1, 2023, to December 31, 2023	Audit Committee Member	Audit Committee Members' Self-Evaluation	The indicators consist of participation level in the management of the Company, comprehension of the responsibilities of the functional committee, enhancement of the decision-making

				quality of the functional committee and composition of functional committee and appointment of members and internal controls.
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(2) The Board of Directors' performance assessment result in 2023 is as below:

A. Board of Directors' performance appraisal

Dimension	Index	Weight	Scores
A. Participation level in the management of the Company.	11	20%	18.91
B. Enhancement of the decision-making quality of the Board.	12	30%	29.00
C. Composition and structure of the Board of Directors.	7	15%	14.14
D. Appointment of Director and continued education.	7	10%	9.43
E. Internal control.	7	25%	24.29
Total	44	100%	95.77

Assessment results: 5 major dimensions, 44 indicators, and an overall score of 95.77; the overall operations and communication were considered fair accordingly.

Improvement: Composition and structure of the Board of Directors.

Suggestion: In the future, the Company will add directors of different genders to the re-election of directors and continue to arrange professional development plans for directors so that directors can strengthen their professional knowledge and skills as a reference for decision-making.

B. Self-evaluation of the Board members

Dimension	Index	Weight	Scores
A. Alignment with the Company's goals and mission	3	20%	19.56
B. Comprehension of the responsibilities of the Directors.	3	20%	19.26
C. Participation level in the management of the Company.	8	20%	19.06
D. Management of internal relations and communication	3	15%	14.56
E. Appointment of Director and continued education.	3	10%	9.78
F. Internal control.	3	15%	14.33
Total	23	100%	96.55

Assessment results: 6 major dimensions, 23 indicators, and an overall score of 96.55; the overall operation was considered successful.

Areas of improvement: Participation in the Company's operations

Suggestion for improvement: Use irregular communication meetings to allow directors to have an in-depth understanding of the Company's operations, so that they can fully perform their duties during board meetings, supervise the Company's existing or potential risks, and the implementation and tracking of the internal control system situation will be discussed.

C. Compensation Committee Members' Self-Evaluation

Dimension	Index	Weight	Scores
A. Participation level in the management of the Company.	4	30%	30.00
B. Comprehension of the responsibilities of the Compensation Committee.	5	30%	28.80
C. Enhancement of the decision-making quality of the Compensation Committee.	7	30%	29.71
D. Composition of the Compensation Committee and appointment of members.	3	10%	10.00
Total	19	100%	98.51

Assessment results: 4 major dimensions, 19 indicators and overall scores

98.51; the overall operation considered effective.

Improvement: Enhancing the awareness of the responsibilities of the Compensation Committee.

Suggestion: Formulate clearer policies for the performance assessment and remuneration policy on directors and managers periodically.

Audit Committee Members' Self-Evaluation

Dimension	Index	Weight	Scores
A. Participation level in the management of the Company.	4	30%	29.50
B. Comprehension of the responsibilities of the Audit Committee.	5	25%	24.00
C. Enhancement of the decision-making quality of the Audit Committee.	7	25%	24.52
D. Composition of the Audit Committee and appointment of members.	3	10%	10.00
E. Internal control.	3	10%	9.33
Total	22	100%	97.35

Assessment results: 5 major dimensions, 22 indicators and overall scores 97.35; the overall operation considered effective.

Area for improvement: Internal control

Suggestion: Strengthen the Audit Committee's understanding of the Company's accounting system, financial status, financial reports, and audit reports.

(II) Operation of the Audit Committee

1. Operation of the Audit Committee:

The audit committee of the Company consists of three independent directors. The purpose of the audit committee is to assist the performance of the board of directors in terms of the quality and integrity with respect to accounting, audit, financial report processes and financial control.

The audit committee has held seven times of meeting in 2023 and the main meeting agenda includes the following:

1. Financial statements audit and accounting policies and procedures
2. Internal control system and relevant policies and procedures

3. Material asset transactions
4. Company risk management
5. Issuance of employee stock options

- (1) The number of audit committee meetings in the most recent year and the attendance rate of each independent director:

A total of 7 audit committee meetings were held in the most recent year. The attending members are as follows:

Title	Name	Actual attendance number	Actual attendance rate (%)	Remarks
Independent Director	Hsin-Yuan Tsai	7	100.00	Re-elected as successor on June 20, 2023
Independent Director	Po-Hsi Liao	7	100.00	Re-elected as successor on June 20, 2023
Independent Director	Wen-Yi Hsiao	7	100.00	Re-elected as successor on June 20, 2023

Other matters to be recorded:

I. If any of the following applies to the operation of the Audit Committee, specify the Audit Committee's meeting date, period, and proposal contents; independent directors' dissenting opinions, reservations, or major proposals; and the resolution of the Audit Committee and the response of the Company to the opinions of the Audit Committee:

See (2) for details. For matters listed in Article 14-5 of the Securities and Exchange Act and other matters that have not been approved by the Audit Committee but agreed by more than two-thirds of all directors, state the date, session number and proposal contents of the board of directors' meeting, the resolution of the Audit Committee, and the company's handling of the Audit Committee's opinions.

II. On the implementation of independent directors' avoidance of interest-related proposals, state the name of the independent director, the content of the proposal, the reason for avoidance and the status of participation in voting: No such situation.

III. Status of communication between independent directors, the head of internal audit and the accountant:

(I) Status of communication between independent directors and the head of internal audit

1. The head of internal audit attends each audit committee meeting, reports on the audits' status, and communicates face-to-face with independent directors.

2. The internal auditors will immediately report to the independent directors if they find a major violation or the company is in danger of major damage.

3. The communication channel between the company's independent directors and the head of internal audit is smooth and good.

(II) Communication between independent directors and the accountant

The accountants report the results of the quarterly audit or review of the financial

statements and other communications required by relevant laws and regulations at the quarterly audit committee meetings. If there are special circumstances, they will immediately report to the members of the audit committee. There was no such special situation in 2023. The Company's Audit Committee communicates well with the accountants.

- (2) For matters listed in Article 14-5 of the Securities and Exchange Act and other matters that have not been approved by the Audit Committee but agreed by more than two-thirds of all directors, state the date, session number and proposal contents of the Audit Committee's meeting, the resolution of the Audit Committee, and the company's handling of the Audit Committee's opinions:

Audit Committee meeting date	Session number	Proposal contents	Resolution	Handling of opinions
2023.02.23	1	<ol style="list-style-type: none"> 1. Reporting of the company's 2022 business report and consolidated and individual financial reports. 2. Issuance of the company's internal control statement for 2022. 3. Decision on the base date for the conversion of employee stock warrants into new shares for the fourth quarter of 2022. 4. Report on the Company's 2023 financial statements audit and verification appointment 5. General principles for formulating the Company's pre-approved non-assurance service policy 6. Building lease agreement between the Company and its subsidiary, Hongia Industry Co. 	It was agreed by all the members present, and the proposal was passed.	No such situation.
2023.03.23	2	<ol style="list-style-type: none"> 1. The Company's 2023 additional 	It was	No such situation.

		budget for capital expenditures and approval of purchases	agreed by all the members present, and the proposal was passed.	
2023.04.27	3	<ol style="list-style-type: none"> The Company's consolidated financial statements for the first quarter of 2023 Decision on the base date for the conversion of employee stock warrants into new shares for the first quarter of 2023. 	It was agreed by all the members present, and the proposal was passed.	No such situation.
2023.06.20	4	<ol style="list-style-type: none"> Selection of the Audit Committee convener and meeting chair. 	It was agreed by all the members present, and the proposal was passed.	No such situation.
2023.07.26	5	<ol style="list-style-type: none"> The Company's consolidated financial statements for the first half of 2023. Decision on the base date for the conversion of employee stock warrants into new shares for the second quarter of 2023. 	It was agreed by all the members present, and the proposal was passed.	No such situation.
2023.10.25	6	<ol style="list-style-type: none"> The company's consolidated financial statements for the first three quarters of 2023. Decision on the base date for the conversion of employee stock warrants into new shares for the third quarter of 2023. Proposal of the Company to establish a subsidiary Proposal of the Company to 	It was agreed by all the members present, and the proposal was passed.	No such situation.

		amend the "Rules Governing Financial and Business Related Operations Between Related Parties"		
2023.12.20	7	<ol style="list-style-type: none"> 1. The Company's 2024 audit plan. 2. Building and plant lease agreement between the Company and its subsidiary, Hongia Industry Co., Ltd. 3. Amendment to the company's "Measures for the Handling of Important Internal Information and Prevention of Insider Trading." 	It was agreed by all the members present, and the proposal was passed.	No such situation.

- (3) Other than the matters above, matters that have not been approved by the Audit Committee but agreed by more than two-thirds of all directors:

No such situation.

- (4) On the implementation of independent directors' avoidance of interest related proposals, state the name of the independent director, the content of the proposal, the reason for avoidance and the status of participation in voting:

No such situation.

2. Supervisors' participation in the operation of the board of directors:

No such situation.

(III) The regulations, member composition, responsibilities and operating conditions of the company's Compensation Committee

1. Regulations:

(Basis for formulation)

In order to improve the compensation system for directors and managers of the company, the company follows the provisions of Article 3 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" (hereinafter referred to as the "Regulations Governing the Exercise of Powers by the Compensation Committee") to formulate the Organizational Rules of the Compensation Committee (hereinafter referred to as the "Organizational Rules") to be followed.

(Organization member)

The duties of this Committee is to evaluate the remuneration policies and systems of the Company's directors and managers professionally and objectively; make recommendations to the board of directors for policy reference, and faithfully perform the following functions and powers with the duty of care as a good manager:

This Committee shall comprise 3 members appointed through board of directors resolution. At least 1 of its members must be an independent director, and all members shall elect an independent director to serve as the meeting convener and chairperson.

The professional qualifications and independence of the members of this Committee shall comply with the provisions provided by Articles 5 and 6 of the Compensation Committee Governing Regulations.

The term of the remuneration committee members shall end at the same time as that of the board of directors that appointed the members. If some of the committee members are dismissed for some reason, making the number of members less than three, then the board of directors shall be convened to make appointments within three months from the day when the fact occurs.

(Committee Responsibilities and Powers)

This Committee shall exercise the care of a good administrator in faithfully performing the official powers listed below and submit its recommendations for

deliberation by the board of directors:

- I. Review the Charter regularly and propose amendment recommendations.
- II. Establish and regularly review the Company's directors and managers' annual and long-term performance targets and remuneration policies, systems, standards, and structures.
- III. Regularly evaluate the performance goal achievements by the Company's directors and managers, and determine the content and amount of their remuneration.

When performing the functions and powers mentioned in the preceding paragraph, the Committee shall act according to the following principles:

- I. Ensure that the Company's and remuneration arrangements comply with relevant laws and regulations and are sufficient to attract outstanding talents.
- II. The performance evaluation and salary remuneration for directors and managers shall refer to the usual payment level in the peer industry and consider the time invested by the individual, the responsibilities of the individual, the achievement of personal goals, the performance of other positions, and the remuneration of the Company in recent years for the same position. The Company must also consider the reasonableness of the connection between individual performance and the Company's operating performance, the future risks according to the Company's short-term and long-term business goals, the Company's financial status, etc.
- III. The directors and managers shall not be guided to engage in behaviors that surpass the Company's risk appetite in pursuit of remuneration.
- IV. The characteristics of the industry and the nature of the Company's business must be considered when determining the dividends ratio and the variable salary remuneration payment time based on the director's and senior managers' short-term performance.

The salary and remuneration referred to in the preceding 2 paragraphs include cash remuneration, stock options, dividends, retirement benefits or severance payments, various allowances, and other substantial incentive measures. The scope must comply with the guidelines for items that must be recorded in annual reports published by listed companies regarding director and manager remuneration.

If the remuneration of directors and managers of a subsidiary of the company is subject to the approval of the company's board meeting according to the

subsidiary's hierarchical responsibility, the committee shall make a proposal and submit it to the board of directors for discussion.

(Convening of Meeting)

This Committee shall convene meetings twice a year, the reason for the convening shall be stated at the time of convening, and the members of the committee shall be notified seven days in advance. However, this provision shall not apply in case of an emergency.

If the convener asks for leave or is unable to convene the meeting for some reason, another independent director of the Committee appointed by the convener shall serve as agent. If the Committee has no other independent directors, the convener shall appoint other members of the Committee to act on behalf of the Committee. If the convener does not appoint an agent, the other Committee members shall nominate one person to act as an agent.

The convener shall determine the proceedings of the committee meeting; other committee members may also propose agendas for discussion during the meeting. The meeting agenda shall be provided to the Committee members in advance.

Attendance books shall be provided during committee meetings and signed by all attendees present at the meeting for reference.

Members of the Committee shall attend the meeting in person. If a member cannot attend in person, the member may entrust 1 member to attend by proxy. Each member is limited to being entrusted by one person. Attendance via video conference shall be considered as attendance in person.

When a committee member entrusts another member to attend the committee as a proxy, he shall issue a power of attorney each time and list the scope of authorization on the reasons for convening.

(Meeting Resolution)

The Committee meetings shall pass resolutions by agreement from over half of the committee members. If there is no objection after consultation by the committee's chairman at the time of voting, the resolution shall be deemed as passed, and its force shall be the same as that of voting.

The outcome of the aforesaid vote must be documented and announced on-site.

Suppose a member has expressed objection or provided a qualified opinion on

matters resolved by this Committee's meeting (which has been documented or stated in writing). In that case, such matters shall be recorded in the meeting minutes and announced on the information reporting website specified by the competent authority within two days after the fact.

When the board of directors discusses the recommendations of the Committee, it shall fully consider the amount of remuneration, the payment methods, and the Company's future risks.

Suppose the board of directors does not adopt or amend the recommendations of the Committee. In that case, two-thirds of all directors must be present, and over half of the directors present must agree to reject the recommendation. The board of directors must specifically explain why the remuneration passed by the resolution is better than the that recommended by this Committee according to the preceding comprehensive considerations.

Suppose the salary and remuneration approved by the board of directors are better than the recommendations by the Committee, in addition to recording the differences and reasons in the board of directors meeting minutes. In that case, an announcement must also be published on the information declaration website designated by the competent authority within two days from the date of approval by the board of directors.

The committee members shall avoid meeting items in which they have personal interests that may cause harm to the company.

If the committee is unable to convene a meeting or make a resolution due to reasons in the proviso to item four or the preceding paragraph, it shall report to the board of directors for its discussion and resolution.

(Meeting Minutes)

Matters discussed in the committee meeting shall be properly documented. The meeting minutes shall include the following items:

- I. The session, time, and place of the meeting.
- II. Name of the chair.
- III. Member attendance record, including the names and numbers of members present, excused, and absent.
- IV. Names and job positions of those attending the meeting.
- V. Name of the minute taker.

VI. Report items.

VII. Issues discussed: The resolution method and outcome of the motion and any objections or qualified opinions expressed by the Committee members.

VIII. Extraordinary motions: Including the proposer's name, the resolution method and outcome of the motion, and any objections or qualified opinions expressed by the committee members, experts, or other persons.

IX. Other details that must be recorded in the meeting minutes.

The Committee sign-in book shall be a part of the proceedings. The recorded video and audio shall be treated as part of the meeting minutes if a meeting is held via video conferencing.

The meeting minutes shall be signed or stamped by the chairperson and the minute taker and distributed to all committee members and independent directors within twenty days after the meeting. They shall also be reported to the board of directors, be included in the Company's important file archives, and be kept for five years. The production and distribution of the proceedings may be done electronically.

Before the expiry of the retention period mentioned in the preceding paragraph, if a lawsuit occurs regarding matters related to the committee, the minutes shall be preserved until the lawsuit's termination.

(Check Consultation)

During a Committee meeting, the Committee may request the Company's directors, related managers, internal auditors, accountants, legal advisors, or other personnel to attend and provide relevant information.

The committee meeting may, by resolution, appoint lawyers, accountants or other professionals to conduct necessary inspections or provide consultations on matters related to the exercise of powers, and the related expenses shall be borne by the company.

(Subsequent Execution)

The convener or other committee members may be authorized to handle the follow-up execution work of the resolutions of the committee meeting and submit a written report to the committee during the execution period; if necessary, the report shall be submitted to the committee for ratification or report at the next meeting.

Information of members of the company's Compensation Committee:

April 30, 2024

Identity status (Note 1)	Name	Qualification	Years of service (Note 2)	Professional Qualifications and Experience (note 3)	Independence Status (note 4)	Number of concurrent compensation committee member of other public companies
Independent Director (Convener)	Hsin-Yuan Tsai		6.88	Please refer to pages 16~18 for information on "Information Disclosure on Directors' Professional Qualifications as well as Independent Directors' Independence."		1
Independent Director	Po-Hsi Liao		6.88			None
Independent Director	Wen-Yi Hsiao		3.88			None

Note 1: Please state in the form the length of service, professional qualifications and experience, and independence for each member in the remuneration committee; for independent directors, please refer to Schedule 1 (I) of Directors' and Supervisors' Information on page OO for related information. Please indicate whether you are an independent director or other (Please specify if you are a convener).

Note 2: This refers to the years of service of the independent director as a member of the Company's Compensation Committee.

Note 3: Professional Qualifications and Experience: State the professional qualifications and experience for each remuneration committee member.

Note 4: Independence: Please state the independence of each member in the remuneration committee, including but not limited to whether he or she, the spouse, or a relative within the second degree of kinship is a director, supervisor, or employee of the Company or its affiliates; the number and proportion of shares held by him or her, the spouse, or a relative within the second degree of kinship (or in the name of another person); whether he or she is a director, supervisor, or employee of a company with which the Company has a specific relationship (refer to the provisions of Article 6, Paragraphs 1, 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the amount of compensation received for commercial, legal, financial, accounting or related services to the Company or its affiliates in the last two years.

3. Information on the operation of the Compensation Committee:

- (1) There are 3 members on the Compensation Committee of the company.
- (2) The term of office of the current members: June 20, 2023, to June 19, 2026.

The Compensation Committee held 5 regular meetings in the most recent year. The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance (B)	Number of delegated attendants	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Hsin-Yuan Tsai	5	0	100%	Re-elected
Member	Po-Hsi Liao	5	0	100%	Re-elected
Member	Wen-Yi Hsiao	5	0	100%	Re-elected

Other matters to be recorded:

- I. If the board meeting does not adopt or amends the proposal of the Compensation Committee, state the date, session number, proposal contents, the resolution of the board of directors, and the company's handling of the Compensation Committee's proposal (if the compensation approved by the board meeting is superior to the committee's proposed one, state the difference and the reason).

No such situation.

- II. If the members have objections to or reservations on the resolutions of the Compensation Committee meeting, and if relevant records or written statements are available, state the date, session number, proposal contents of the committee meeting, opinions of all the members and the handling of the members' opinions.

No such situation.

- III. The reasons and resolutions of the most recent Compensation Committee meeting:

Session number	Date of meeting	Reason for discussion	Resolution
1	2023.02.23	Distribution of the company's 2022 employees' remuneration and directors' remuneration.	Agreed by all members present and passed.

2	2023.04.27	<ol style="list-style-type: none"> 1. The company's salary adjustment this year. 2. Pension for the Company's Vice Chairman (employee identity). 3. Amendment and adjustment to Article 20 of the Articles of Incorporation. 	Agreed by all members present and passed.
3	2023.06.20	<ol style="list-style-type: none"> 1. Selection of the Compensation Committee convener and meeting chair. 2. Adjustment of the managers' bonus for this year (excluding the senior managers). 3. Remuneration and transportation allowances for the Company's directors. 4. Remuneration distribution to the Company's directors. 5. The Company's sustainable long-term remuneration 	Agreed by all members present and passed.
4	2023.07.26	<ol style="list-style-type: none"> 1. Employee remuneration of the Company's managers for the year (excluding senior managers). 	Agreed by all members present and passed.
5	2023.12.20	<ol style="list-style-type: none"> 1. On September 14, 2023, the Executive Yuan approved the basic salary adjustment plan. 2. Year-end bonus for 2023 	Agreed by all members present and passed.

Note:

(1) If a member of the Compensation Committee resigns before the end of the year, the date of the resignation shall be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation Committee during the term of service and the actual number of attendance.

(2) Before the end of the year, if the Compensation Committee is re-elected, the new and incumbent Compensation Committee members shall be listed. Whether the member is incumbent, new or re-elected and the date of reelection shall be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation Committee during their term of office and their actual attendance.

(IV) The regulations, member composition, responsibilities, and operating conditions of the Company's Sustainability Committee

1. Regulations:

(Basis for formulation)

The Company's Sustainable Development Committee (hereinafter referred to as the Committee) has been established for compliance to establish a good corporate governance structure.

(Scope of Applicability)

Matters related to the powers and rules of procedure of the Committee) shall be handled in compliance with the Committee Charter unless otherwise provided by laws or regulations.

(Purpose of Establishment)

In order to improve the overall practice of sustainable operation of the enterprise, the Committee shall assist the Board of Directors in developing and recommending matters related to the organization and management of the Board to strengthen its functions. Additionally, the Committee is dedicated to implementing corporate social responsibility, including environmental protection and corporate governance.

(Composition of the Committee)

The Committee has been resolved by the Board of Directors to consist of at least five members, of whom at least half shall be independent directors. The term of a director joining the Committee, unless otherwise stipulated by law, the Company's articles of incorporation, or regulations, shall begin on the date of the Board's resolution and end upon the expiration of the director's term, the director's resignation from the Committee or from their directorship, or upon a new resolution by the Board of Directors appointing a replacement committee member.

Committee members' term of office shall be in accordance with the term of office of directors, and may be re-elected.

The Committee is chaired by the Chairman and takes corporate sustainability as the highest guiding principle. It reviews the effectiveness of ESG promotion through regular meetings, and reports the annual implementation results to the Board of Directors.

Under this Committee, an Executive Committee is established where the CEO serves as the commander, and the general managers of all business units and the

vice president of the Chairman's Office are ex-officio members.

(Scope of Responsibilities)

In order to achieve the objectives stipulated in Article 3, the duties of the Committee shall include the following:

I. Review of the Company's sustainable operation strategy and corporate social responsibility report (or corporate sustainability report).

II. The sustainable development of the Company, including the formulation of goals and strategies for corporate governance, ethical management, and environmental and social aspects.

III. Review and follow-up on the implementation and effectiveness of the Company's sustainable development, and report to the Board of Directors on a regular basis.

(Organizational Structure)

Various functional teams are established under the Executive Committee, including the Sustainable Environment and Occupational Safety and Health Group, the Green Innovation Group, the Employee Relations and Social Participation Group, the Information Security Group, the Sustainable Procurement Group, the Corporate Governance Group, and the Smart Manufacturing Group. Heads of related units at the manager level or above shall be appointed as team leaders. To implement the corporate sustainable development strategy, each group sets ESG promotion indicators based on their functions and responsibilities. Through meetings, the groups review the effectiveness of the previous phase's ESG promotion indicators and discuss the next phase's goals and plans. Continuous improvement efforts are made to achieve the sustainable development goals. Functional groups may make adjustments with the approval of the Executive Committee. The Executive Secretary of the Committee shall be responsible for the following matters:

I. Prepare meeting agendas, and keep track of meeting minutes and resolutions.

II. Preliminary review of the contents of the proposals of the functional groups referred to above, and shall compile the information and submit the same for discussion.

III. The contact, coordination, and operation integration of the functional groups or units referred to in the preceding paragraph.

IV. Establishment and maintenance of the Committee's database. Each functional group may hold a work meeting as needed to discuss the implementation status of each group and should present the current year's implementation plan at the

beginning of each year and present a report on the implementation results at the end of the year. The annual implementation plan and implementation report referred to in the preceding paragraph shall be reviewed by the Committee and then reported to the Board of Directors.

(Meeting Method)

This Committee shall convene at least two meetings per year. Ad-hoc meetings shall be held separately when deemed necessary.

When convening the committee meeting, the convener shall clearly explain the purposes in the meeting notice, which shall be distributed to all members of the Committee at least seven days before the meeting. However, this provision shall not apply in case of an emergency.

If the Committee's convener is on leave or unable to organize the meeting, the convener may appoint one of the other members as a proxy. If the convener does not appoint a proxy, the members of the Committee shall elect from among themselves a proxy.

The Committee may require the Company's related managers or other personnel to attend the meeting and provide relevant information.

(Preparation of the Agenda)

The convener shall determine the proceedings of the committee meeting; other committee members may also propose agendas for discussion during the meeting.

(Attendance and Resolution)

Attendance books shall be provided during committee meetings and signed by all attendees present at the meeting for reference.

The members of this Committee shall attend the meeting in person. If members cannot attend in person, members may delegate one of the other members as a proxy. Directors who participate via video conferencing shall be deemed to have participated in the meeting in person.

A Committee member appointing another member to attend the committee meeting on his/her behalf shall issue a written proxy stating the scope of authorization with respect to the reasons for the meeting.

When a resolution is adopted by a committee, it shall be attended by more than half of the members of the committee and approved by more than half of the members present, unless otherwise provided in the laws and regulations or in the Company's Articles of Incorporation. The outcome of the vote must be documented and announced on-site. If there is no objection after consultation by

the committee's chairman at the time of voting, the resolution shall be deemed as passed, and its force shall be the same as that of voting.

The proxy specified in paragraph 3 is entitled to represent one person only.

(Meeting Minutes)

Matters discussed in the committee meeting shall be properly documented. The meeting minutes shall include the following items:

I. The session, time, and place of the meeting.

II. Name of the chair.

III. Member attendance record, including the names and numbers of members present, excused, and absent.

IV. Names and job positions of those attending the meeting.

V. Name of Minute Taker.

VI. Report items.

VII. Discussion items: The method of resolution and the result for each motion; a summary of the comments made by independent directors of the committee, experts, or other persons; the name of any independent director who is an interested party as referred to in Paragraph 1 of Article 11; an explanation of the important aspects to the interest relationship; the reasons why the director was required or not required to enter recusal; the status of their recusal; and the opinions or qualified opinions.

VIII. Extraordinary motions: The name of the proposer, the method of resolution, and the result for each motion; the name of any Committee member who is an interested party as referred to in Paragraph 1, Article 11 of the Committee Charter; an explanation of the important aspects to the interest relationship; the reasons why the director was required or not required to enter recusal; the status of their recusal; the opinions or qualified opinions, summaries of the statements made by committee members, experts, and other personnel, and objections or reservations.

IX. Other details that must be recorded in the meeting minutes.

The attendance book constitutes part of the minutes for each Committee meeting and shall be preserved permanently. The meeting minutes shall be signed or stamped by the chairperson and the minute taker and distributed to all committee members within twenty days after the meeting. It should be treated as part of the Company's important files and shall be properly kept permanently over the Company's existence. The preparation and distribution of meeting minutes prescribed in the first paragraph may be made in electronic form.

(Recusal from Deliberation)

If a member of this Committee has personal interests regarding the meeting matters, the director shall state the key aspects of the personal interests. If it is likely to prejudice the interests of the Company, the member shall not participate in the discussion or voting for that agenda item, shall enter recusal during the debate and voting for that item, and shall not act as another member's proxy to exercise voting rights on the matter.

Where the spouse, a blood relative within the second degree of kinship of a Committee member, or any company which has a controlling or subordinate relation with a member has interests in the matters under discussion in the meeting of the preceding paragraph, such Committee member shall be deemed to have a personal interest in the matter. If a resolution could not be reached in the committee meeting because of the rules prescribed in Paragraph I, the matter shall be reported to the Board of Directors for decision-making.

(Employment of Experts)

According to its resolutions, the Committee may engage lawyers, accountants, or other external experts to conduct necessary investigations, provide consultations, or attend meetings regarding matters specified in Articles 3 and 5. The Company shall bear all costs thus incurred.

(Implementation)

This Organizational Charter shall be implemented after it has been approved by the board of directors, and the same shall apply to its amendments.

2. Information of members of the Company's Sustainability Committee:

Qualification		Responsibilities	Professional Qualifications and Experience
Identity status	Name		
Chairman (Chairman)	PO-CHUAN LIN	I. Review of the Company's sustainable operation strategy and corporate social responsibility report (or corporate sustainability report). II. The sustainable development of the Company, including the formulation of goals and strategies for corporate	Please refer to pages 16~18 for information on "Information Disclosure on Directors' Professional Qualifications as well as Independent Directors' Independence."
Vice chairman	Wen-Liang, Pai		
Independent Director	Hsin-Yuan Tsai		
Independent	Po-Hsi Liao		

Director		governance, ethical management, and environmental and social aspects.	
Independent Director	Wen-Yi Hsiao	III. Review and follow-up on the implementation and effectiveness of the Company's sustainable development, and report to the Board of Directors on a regular basis.	

3. Information on the operation of the Sustainability Committee:

- (1) There are 5 members on the Sustainable Development Committee of the Company.
- (2) The term of office of the current members: June 20, 2023, to June 19, 2026.

The Sustainable Development Committee held 3 regular meetings in the most recent year. The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance (B)	Number of delegated attendants	Actual attendance rate (%) (B/A) (Note)	Remarks
Chairman	PO-CHUAN LIN	2	1	66%	None
Member	Wen-Liang, Pai	3	0	100%	None
Member	Hsin-Yuan Tsai	3	0	100%	None
Member	Po-Hsi Liao	3	0	100%	None
Member	Wen-Yi Hsiao	3	0	100%	None

The reasons and resolutions of the most recent Sustainable Development Committee meeting:

Session number	Date of meeting	Reason for discussion	Resolution
1	2023.07.26	ESG Implementation Report of the Company	Agreed by all members present and passed.
2	2023.10.25	Completion of the Company's Sustainability Report	Agreed by all members present and passed.
3	2023.12.20	ESG Implementation Report of the Company	Agreed by all members present and passed.

(V) Corporate Governance Implementation and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation items	Operation Status			Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
I. Has the Company established and disclosed its corporate governance guidelines in accordance with the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies?	V		In order to establish and fulfill the corporate governance system, in reference to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies established by TWSE and TPEX jointly, the Company enacts its own corporate governance best practice principles and construct the valid corporate governance framework, and discloses the same on the Company’s official website.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
II. Shareholding structure and shareholders’ interests				
(I) Has the Company implemented a set of internal procedures to handle Shareholders’ recommendations, queries, disputes, and litigations?	V		The Company establishes the spokesperson system, and also set up the email box for investors, so that it may handle shareholders’ recommendation or disputes rapidly and respond to shareholders via email.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Is the Company constantly informed of the identities of its major Shareholders and the ultimate controller?	V		The Company may be constantly informed of the identities of its major shareholders and the ultimate controller through interaction with major shareholders.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed

Evaluation items	Operation Status			Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
(III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		The Company has established the "Operational Guidelines for Financial and Business Transactions Among Related Parties" to govern the business and financial transactions between the Company and its affiliates.	Companies. Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		The Company has established the "Regulations Governing Handling of Material Inside Information and Prevention of Insider Trading" to govern the insider trading.	Companies. Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
III. Composition and responsibilities of the Board of Directors (I) Has the board of directors formulated a diversity policy, specific management objectives, and implemented them for its members?	V		The Board members who satisfy the Company's operating model and development needs will be appointed as the first priority. Meanwhile, the members' professional background, their skills and experience needed by the Company's business, and diversity policy will also be taken into consideration. (The Company's Board consists of 9 members in total, including 3 independent directors served by famous persons in the industry. For details, please refer to Three. Corporate Governance Report/IV. Corporate Governance Implementation/(IV) Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof/1. Board Diversification.)	Companies. Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Operation Status			Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?	V		Apart from the Remuneration Committee and Audit Committee, has the Company established sustainable development committee to promote ESG matters? In addition to the Sustainable Development Committee, other functional committees will be established in the future as needed.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Has the Company established a set of policies and assessment methodology to evaluate the performance of the Board? Is regular performance evaluation conducted, at least once a year, and the evaluation result is submitted to the Board to serve as a reference in determining the remuneration of individual Directors and a nomination for re-election?	V		In order to fulfill the corporate governance and improve the Board of Directors' performance and set the goals to improve the Board of Directors' operations, the Company establishes the Regulations Governing Performance Assessment on the Board of Directors in reference to Article 37 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies." The performance assessment for the previous year performed in Q1 of each year serves as the reference for salary paid to directors and re-nomination of the directors.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(IV) Does the Company assess the independence of external auditors regularly?	V		The Company appoints the trustworthy Deloitte Taiwan and its CPAs to certify the Company's financial statements. They have no conflict of interest with the Company and all act independently. According to Article 14-3 of the Securities and Exchange Act, the Company reports the hiring or dismissal of its independent auditors or the compensation given thereto to the Board of Directors for approval by resolution. Meanwhile, the Company also practiced the period assessment on independence and competency of the independent auditors retained by it in accordance with Article 29 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, and also prepared the "Independent Auditor's Independence Assessment Form" in accordance with Article 47 of the "Certified Public Accountant Act" and Article 10 of the "the Norm of Professional Ethics for Certified Public Accountant of the Republic of	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Operation Status			Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
			China” - "Integrity, Objectivity and Independence". By the end of the year, the Board of Directors held based on the Assessment Form (see Note 3) that MING-HSIEN LIU, and YUNG-HSIANG CHAO CPAs of Deloitte Taiwan should be competent. Besides, both CPAs have issued their “Declaration for Statement of Independence” (for details, please refer to Three. Corporate Governance Report/IV. Corporate Governance Implementation/(V) Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof/3. Declaration for Statement of Independence issued by CPAs).	
IV. Does the TWSE/TPEX listed company dedicate competent managers or a sufficient number of managers to take charge of corporate governance, and designate supervisors thereof to oversee the corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, assisting the Board and Supervisors in legal compliance, convening Board/Shareholders' meetings in accordance with the law, applying for/changing company registry, and producing meeting minutes of Board/Shareholders' meetings)?	V		The corporate governance officers appointed by the Company all satisfy the qualifications referred to in Article 23 of the “Taiwan Stock Exchange Corporation Operating Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers” (hereinafter referred to as the “Operating Directions”). The Board resolution dated February 25, 2020 approved the Company's own corporate governance best practice principles. Then, in December 23, 2020, the Board appointed the CFO, Yung-Sheng Ku, who had the experience in the industry for more than three years to serve as the Company's chief corporate governance officer concurrently since January 1, 2021, responsible for the Company's corporate governance practices, including, organizing the Board of Directors meetings and shareholders' meetings under laws, providing directors/supervisors with the information needed to perform their duties and in helping directors/supervisors hold the position, complete continuing education and comply with laws.	No significant deviation exists.
V.Has the Company established a means of communicating	V		The Company has set up the spokesperson system, and the email	Already completed in accordance with the

Evaluation items	Operation Status			Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
with its stakeholders (including but not limited to Shareholders, Employees, customers, suppliers, et cetera) or created a stakeholder section on the Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?			box dedicated to processing complaints from employees, suppliers and consumers/customers. Meanwhile, the Company establishes the communication channel with stakeholders via the Company's website, email, Tel. No. and fax, and also sets up the Stakeholders Section on the Company's website.	Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VI. Does the Company appoint a professional shareholder service agency to handle the affairs of the Shareholders' Meeting?	V		The Company has appointed the Shareholders Service Agency Dept., KGI Securities to handle the shareholders' services for the Company.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
VII. Information disclosure (I) Has the company established a website that discloses financial, business, and corporate governance-related information?	V		Investors may access the information about the Company's finance, business and corporate governance practices via the Company's website and MOPS.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(II) Does the Company adopt other avenues for information disclosure (e.g. setting up an English website, designating specific personnel to collect and provide disclosure on the Company, implementing spokesperson system, disclosing the process of institutional investor conferences on the Company website and et cetera)?	V		The Company has established the spokesperson system. Meanwhile, dedicated personnel are sent to collect and process the information on the Company's official website. The information about investors' meetings will be posted on the Company's official website.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
(III) Does the Company publicly announce and file the annual financial reports within two months after the accounting year-end, and publicly announce and file the first, second and third quarterly financial reports and monthly operating status reports before the	V		In the spirit of information disclosure and transparency of operations, the Company will publish and file the annual financial report within 2 months at the end of the year, and publish and file the quarterly financial report within 30 days at the end of each quarter. If possible, please publish and file them as early as possible.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.

Evaluation items	Operation Status			Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons
	Yes	No	Summary description	
stipulated deadlines?				
VIII. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of Employees, care for Employees, investor relations, relations with suppliers, relations with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	V		While keeping normal business development and maximizing shareholders' equity, the Company values its customers' interests and rights too. The directors have completed the continuing education program pursuant to laws. The Company has also taken out the liability insurance for directors.	Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
<p>IX. Please describe improvements that have been made about the results of the corporate governance evaluation as prescribed by the Taiwan Stock Exchange Corporate Governance Center, as well as priorities and measures for matters that have yet to be improved:</p> <ol style="list-style-type: none"> 1. Assessment indicator 1.7: It is expected that the Chinese and English versions of the shareholders meeting handbook and supplementary materials will be uploaded 30 days before the regular shareholders meeting this year. 2. Assessment indicator 1.8: The Chinese and English versions of the annual report are expected to be uploaded 18 days before the annual general meeting of this year. 3. Assessment indicator 2.14: The composition, responsibilities and operation of Sustainability Management Committee are expected to be disclosed in the annual report of this year. 4. Assessment indicator 2.22: It is expected that the audit committee will supervise the company's risk management this year and report to the board of directors on a regular basis. 5. Assessment indicator 4.5: The Company plans to obtain third-party verification of the sustainability report this year. 				

1. Board of directors diversification:

According to Paragraph 2 of Article 20 of the Company's "Corporate Governance Best Practice Principles," the Company's Board of Directors shall be composed by more than five directors in response to the practical needs, subject to the Company's business development scale and major shareholders' shareholding. Meanwhile, according to Paragraph 3 and Paragraph 4 of the same Article, the Board member diversification shall be taken into account. The directors who serve as the Company's managers concurrently shall be no more than one-thirds of the total directors. Meanwhile, the Company shall set forth adequate Board diversity policy subject to its own operations, business type and development needs. The Board members shall possess the knowledge, skills and competency required by

performance of their duties. The Company also pays attention to gender equality in the composition of the Board of Directors and aims to have at least one female director. At present, all the members of the Board of Directors are male. In the future, the Company will try its best to increase the number of female directors to achieve this goal.

Therefore, the Company adopts the “candidate nomination system” and requests shareholders to elect directors upon resolution of the Board of Directors. All nominated candidates shall be the best choice in the industry or academic sector.

Name	Basic qualifications and value							Professional knowledge and skill							
	Title	Gender	Nationality	Age				Industry experience			Professional ability				
				Less than 40	41-50	51-60	More than 60	Financial insurance	Electric machinery	Semi-conductor	Business administration and accounting	Financial insurance	Technology and intellectual property	Public relationship	
PO-CHUAN LIN	Chairman	Male	Native		√				√			√			√
Wen-Liang, Pai	Vice chairman	Male	Native				√		√			√			√
JUNG-CHE HSIEH	Directors	Male	Native				√			√				√	
Tony Pai	Directors	Male	Native		√						√			√	
William Lee	Directors	Male	Native			√					√	√			√
FU-I HUNG	Directors	Male	Native				√				√	√			
Hsin-Yuan Tsai	Independent Director	Male	Native				√		√					√	
Po-Hsi Liao	Independent Director	Male	Native				√	√					√		
Wen-Yi Hsiao	Independent Director	Male	Native		√							√			√

2. Continuing education for corporate governance officers

Title	Name	Course title	Hours
Corporate Governance Director	YUNG-SHENG KU	ABCs of sustainable corporate transformation from ESG to SDGs 2030/2050 Green Industrial Revolution 2023 Insider Legal Compliance Conference for Equity Transactions The concept, practice and tools of group taxation governance	12

3. Independent Auditor's Independence Assessment Form and Assessment Results


KINIK Company
Independent Auditor's Independence Assessment Form
December 2023

2023 Independent Auditor's Firm Name: Deloitte Taiwan

2023 Independent Auditor: MING-HSIEN LIU, CPA and YUNG-HSIANG CHAO, CPA

Item	Independence Assessment Item	Independent or not?	
		Yes	No
1	The independent auditors have no material financial interest relations with the Company, directly or indirectly.	V	
2	The independent auditors have no material business relationship with the Company.	V	
3	The independent auditors have no potential employment relationship with the Company.	V	
4	The independent auditors shall procure their assistants to strictly comply with the principles of Integrity, Objectivity and Independence.	V	
5	The independent auditors never accept any precious gifts or presents from the Company and the Company's directors, supervisors and managers (with the value more than that commensurate to the Social Etiquette).	V	
6	The independent auditors never engage in the loaning of fund with the Company.	V	
7	The independent auditors never concurrently engage in any other profession that might result in their loss of independence.	V	
8	The independent auditors never collect any commission related to the business.	V	
9	The independent auditors never hold the Company's shares.	V	
10	The independent auditors never concurrently engage in any routine work of the Company with fixed pay.	V	
11	The independent auditors never engage in any joint venture or	V	

	share profits with the Company.		
12	The Company never involves in the management function related to the Company's decision making.	V	
13	The independent directors do not serve as the Company's directors, supervisors or managers or perform any function that would pose material impact to the audit concurrently or have never done so in the most recent two years. Meanwhile, they confirm that they would never serve any of said functions during the future audit period.	V	
14	During the audit period, the independent auditors <i>per se</i> and their spouses or dependents have never served as the Company's directors, supervisors, managers or any function that would pose a direct and significant impact to the audit work.	V	
15	The independent auditors issued the "Statement of Independence."	V	

Conclusion:

To the Statement of Independence issued by MING-HSIEN LIU, CPA and YUNG-HSIANG CHAO, CPA of Deloitte Taiwan retained by the Company this year and in reference to Article 47 of the "Certified Public Accountant Act" and "Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10," both CPAs are held satisfying the Company's independence assessment standards based on the Company's comprehensive evaluation.

Kinik Company Audit Committee

2024 Audit Quality Index (AQI) Evaluation Form - Deloitte Taiwan

AQI indicator	Key Points of Measurement	Information hierarchy	Correlation with audit quality
Dimension 1: Professionalism			
Audit experience (1-1)	Whether the senior auditors have sufficient audit experience to perform the audit.	Firms & Cases	Positive correlation
Training hours (1-2)	Whether the accountants and senior auditors receive sufficient education and training each year to continuously acquire professional knowledge and skills.	CPA firm	Positive correlation
Liquidity ratio (1-3)	Does the firm maintain sufficient senior human resources?	CPA firm	Negative correlation
Professional support (1-4)	Does the audit firm have sufficient professional staff (e.g. evaluators) to support the audit team?	CPA firm	Positive correlation
Dimension 2: Quality Control			
Accountant's load (2-1)	Is the workload of the accountant too heavy?	Firms & Cases	Negative correlation
Audit input (2-2)	Is the input of the audit team members appropriate in each stage of the audit.	Firms & Cases	Positive correlation
EQCR review status (2-3)	Whether EQCR accountants dedicate sufficient hours to the review of the audit cases.	Firms & Cases	Positive correlation
Quality control support (2-4)	Does the firm have sufficient quality control manpower to support the audit team?	CPA firm	Positive correlation
Dimension 3: Independence			
Non-audit service fees (3-1)	The impact of non-audit service expenditure on independence	Case	Negative correlation
Customer familiarity (3-2)	Impact of cumulative years of audited cases on the firm's annual financial statements	Case	Negative correlation (If the cumulative years are too long)
Dimension 4: Supervision			
External inspections and penalties (4-1)	Whether the quality control and audit cases of the firm are implemented in accordance with relevant laws and regulations.	Firms & Cases	Negative correlation
The competent authority issues a	Ibid.	Firms & Cases	Negative correlation

letter for improvement (4-2)			
Dimension 5: Innovation capability			
Innovative plans or initiatives (5-1)	The CPA firm's commitment to improving audit quality, including the CPA firm's innovation ability and planning.	CPA firm	Positive correlation

Based on the above assessment, the independent directors are of the opinion that the firm and its CPAs are **competent**; **incompetent** and they are appointed for the auditing of the Company's 2024 financial statements.

Signature of Independent Director:  Date of assessment: February 27, 2024

KINIK Company Audit Committee

2024 Audit Quality Index (AQI) Evaluation Form - Deloitte Taiwan

AQI indicator	Key Points of Measurement	Information hierarchy	Correlation with audit quality
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The competent authority issues a letter for improvement (4-2)	Ibid.	Firms & Cases	Negative correlation
Dimension 5: Innovation capability			
Innovative plans or initiatives (5-1)	The CPA firm's commitment to improving audit quality, including the CPA firm's innovation ability and planning.	CPA firm	Positive correlation

Based on the above assessment, the independent directors are of the opinion that the firm and its CPAs are **competent**; **incompetent** and they are appointed for the auditing of the Company's 2024 financial statements.

Signature of Independent Director: 廖伯真 Date of assessment: February 27, 2024

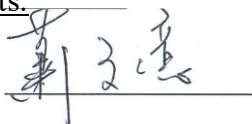
KINIK Company Audit Committee

2024 Audit Quality Index (AQI) Evaluation Form - Deloitte Taiwan

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The competent authority issues a letter for improvement (4-2)	Ibid.	Firms & Cases	Negative correlation
Dimension 5: Innovation capability			
Innovative plans or initiatives (5-1)	The CPA firm's commitment to improving audit quality, including the CPA firm's innovation ability and planning.	CPA firm	Positive correlation

Based on the above assessment, the independent directors are of the opinion that the firm and its CPAs are **competent**; **incompetent** and they are appointed for the auditing of the Company's 2024 financial statements.

Signature of Independent Director: 

Date of assessment: February 27, 2024

4. The Statement of Independence issued by the CPAs.

(1) MING-HSIEN LIU, CPA

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112.12.11 勤審 11208992 號

受文者：中國砂輪企業股份有限公司

主旨：本所接受委託查核 貴公司民國 112 年度財務報表，依照中華民國會計師公會全國聯合會「職業道德規範公報第十號正直、公正客觀及獨立性」之規定，審計小組成員聲明已遵守下列規範，未有違反獨立性情事。

說明：

- 一、審計小組成員及其配偶與受扶養親屬未有下列情事：
 1. 持有 貴公司直接或間接重大財務利益。
 2. 與 貴公司或其董監事、經理人間，有影響獨立性之商業關係。
- 二、在審計期間，審計小組成員及其配偶與受扶養親屬未擔任 貴公司之董監事、經理人或對審計工作有直接且重大影響之職務。
- 三、審計小組成員與 貴公司之董監事或經理人未有配偶、直系血親、直系姻親或二親等內旁系血親之關係。
- 四、審計小組成員未收受 貴公司或其董監事、經理人或主要股東價值重大之饋贈或禮物（其價值未超越一般社交禮儀標準）。
- 五、審計小組成員已執行必要之獨立性／利益衝突程序，未發現有違反獨立性情事或未解決之利益衝突。

勤業眾信聯合會計師事務所

會計師 劉 明 賢



(2) YUNG-HSIANG CHAO, CPA

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說 明：

一、審計小組成員及其配偶與受扶養親屬未有下列情事：

1. 持有 貴公司直接或間接重大財務利益。
2. 與 貴公司或其董監事、經理人間，有影響獨立性之商業關係。

二、在審計期間，審計小組成員及其配偶與受扶養親屬未擔任 貴公司之董監事、經理人或對審計工作有直接且重大影響之職務。

三、審計小組成員與 貴公司之董監事或經理人未有配偶、直系血親、直系姻親或二親等內旁系血親之關係。

四、審計小組成員未收受 貴公司或其董監事、經理人或主要股東價值重大之饋贈或禮物（其價值未超越一般社交禮儀標準）。

五、審計小組成員已執行必要之獨立性／利益衝突程序，未發現有違反獨立性情事或未解決之利益衝突。

勤業眾信聯合會計師事務所

會計師 趙 永 祥



5. Directors'/supervisors' and managers' participation in corporate governance-related education and training in 2023:

Title	Name	Course title	Hours
Chairman	KINMEAN COMPANY LTD. Representative: PO- CHUAN LIN	ABCs of sustainable corporate transformation from ESG to SDGs The Future of Enterprises in a Battleground: Strategic Shift & Transformation	6
Directors	Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai	ABCs of sustainable corporate transformation from ESG to SDGs Corporate Governance Forum 2023 Issue No. 43 Corporate Governance Forum 2023 Issue No. 28	9
Directors	KINMEAN COMPANY LTD. Representative: JUNG-CHE HSIEH	ABCs of sustainable corporate transformation from ESG to SDGs The Future of Enterprises in a Battleground: Strategic Shift & Transformation	6
Directors	LI-HE INV. LTD. COMPANY Representative: CHING-CHUNG PAI	ABCs of sustainable corporate transformation from ESG to SDGs Sustainable Transformation Course Series: Global Circular Economy Trends and Their Challenges and Opportunities Sustainable Transformation Course Series: Global Sustainable Finance Development Trends and Best Practices	9
Directors	KINKI INV LTD. COMPANY Representative: William Lee	ABCs of sustainable corporate transformation from ESG to SDGs Analysis of Common Illegal Cases of Securities and Exchange Act	6
Directors	KINKI INV LTD. COMPANY Representative: Fu-I Hung	ABCs of sustainable corporate transformation from ESG to SDGs Analysis of Common Illegal Cases of Securities and Exchange Act	6
Independent Director	Hsin-Yuan Tsai	ABCs of sustainable corporate transformation from ESG to SDGs Corporate Governance Blueprint 3.0 and Directors' Responsibilities	6
Independent Director	Po-Hsi Liao	ABCs of sustainable corporate transformation from ESG to SDGs Police-Bank Cooperation to Combat Fraud and Digital Financial Technology Fraud Prevention	6
Independent Director	Wen-Yi Hsiao	ABCs of sustainable corporate transformation from ESG to SDGs Corporate Financial Statement Fraud and Case Study Common Legal Issues in Corporate M&A Contracts	9

(VI) Sustainable development implementation status and the discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed.

Sustainable development implementation status and the discrepancy with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed

Projects to be promoted	Implementation Status (Note 1)			Performance of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
<p>I. Has the Company established a governance structure to promote sustainable development, set up a dedicated (part-time) unit to promote sustainable development, has the Board of Directors authorized senior management to handle the matter, and what is the Board of Directors' supervision status? (For TWSE/TPEX listed companies, the status of implementation shall be reported instead of compliance or interpretation.)</p>	V		<p>(1) The Corporate Sustainability Committee Charter of KINIK Company was established by the Board of Directors in 2021 to promote sustainable operations and corporate social responsibility. The Committee is composed of the Chairman, Vice Chairman, and independent directors and is responsible for overseeing the implementation of the Committee's missions (see the company's website) and establishing the Corporate Sustainability Committee Charter.</p> <p>(2) The Committee is chaired by the CEO, with members consisting of the president of each business unit. The Committee has established six functional task forces, including Sustainable Environment and Occupational Safety and Health, Green Innovation, Employee Relations and Social Participation, Information Security, Sustainable Procurement, Smart Manufacturing, and Corporate Governance. On July 20, 2023, the Executive Committee reported on its promotion plans and directions, including carbon reduction at KINIK, energy saving, water resource target setting, and the progress of R&D and innovation. The relevant initiatives will be carried out by the heads of each task force, who will report the implementation status and on a regular basis, and report the annual performance results to the Board of Directors.</p> <p>In 2023, the Sustainability Committee convened a total of 3 meetings, and the agenda included the implementation and results of the Sustainable Committee's activities (see Section IV. Corporate Governance Operation, (IV) Regulations, member composition, responsibilities, and operating conditions of the Company's Sustainability Committee for details).</p> <p>(3) The CEO reported the performance of sustainable development to the Board of Directors on 2023/12/20. The Board of Directors listens to the sustainable development reports of the committees,</p>	No difference.

Projects to be promoted	Implementation Status (Note 1)			Performance of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
			reviews the relevant management guidelines, strategies and goals, and supervises the management team to make adjustments when necessary.	
<p>II. Has the Company performed risk assessment pertaining to the environment, community and corporate governance issues related to the operation of the Company in accordance with the materiality principle, and established the corresponding risk management policies or strategies? (note 2) (For TWSE/TPEX listed companies, the status of implementation shall be reported instead of compliance or interpretation.)</p>	V		The Company regularly conducts risk assessment on environmental, social, and corporate governance issues, related to the Company's operations. The assessment boundary includes the relationships between the Company's five production and operation sites, each product process, and customers. The assessment process includes the stakeholders' impact on the economy, environment, and society, and the results of the major concerns include climate change, information security management, human rights, and human resources. For each related issue and risk management, the Company has incorporated the Sustainable Development Committee to formulate key tasks to be carried out under the supervision of the CEO. The results of these initiatives are also presented in the Sustainability Report.	No difference.
<p>III. Environmental issues</p> <p>(I) Has the Company developed an appropriate environmental management system, given the distinctive characteristics of its industry?</p>	V		For the time being, the five factory premises (Yingge/Hsinchu/Chubei/Shulin/Hsinchu Science Park) have completed and passed the certification of, ISO14001:2015 environmental management system. In 2022, the Company continued to have SGS follow up the environmental performance and indicators set by various factory premises periodically. As a result, no major non-conformance was found. For the time being, the Company has identified the environment safety unit and personnel as the Company's first-level unit. The unit consists of 19 dedicated workers and largely benefited the Company's promotion of the environmental management system and related environment protection practices.	No difference.
<p>(II) Has the Company made efforts for the efficient use of energy and used renewable</p>	V		The Company is committed to the improvement and measures for reducing the energy consumption. In each plant, other than the regular report as required	No difference.

Projects to be promoted	Implementation Status (Note 1)			Performan ce of Corporate Social Responsibi lity Best Practice Principles for TWSE/GT SM Listed Companies and the reasons
	Yes	No	Summary description	
materials for mitigating the impact on the environment?			by laws, in 2021, the energy-saving efficiency has reached more than 1% in terms of energy management, better than the statutory requirement. To recycle waste, with the regeneration technology for grinding wheels, the Company has successfully developed the processing technology to recycle waste resin grinding wheels for recycling. This process has been approved by the Ministry of Economic Affairs, enabling the production of 7.4 tons of regenerated abrasive material per month, which is then reintroduced into the manufacturing process for use.	
(III) Has the Company assessed the present and future potential risks and opportunities posed by climate change to the Company and undertaken countermeasures pertaining to climate change?	V		The Company has identified the existing and future potential risk and opportunities posed by climate transformation to enterprises and inspected the impact inside and outside the Company, and available countermeasures. At the same time, the Company uses the best effort to boost the energy conservation and carbon reduction policy, and manage the energy and carbon reduction targets effectively year by year, in order to mitigate the Company's business risk.	No difference.
(IV) Has the Company measured its greenhouse gas emission, water use, and the total weight of waste for the past two years, and established policies pertaining to energy conservation, reduction in carbon and greenhouse gas emission, reduction in water use, or management of waste disposal?	V		<p>I. Statistics in the past two years</p> <p>(1) Greenhouse gas emissions:</p> <p>1. 2022: Direct emissions were 8,235.6821 tCO₂e; indirect energy emissions were 35,592.8388 tCO₂e; other indirect emissions were 7,034.7992 tCO₂e</p> <p>2. In 2023 (not yet verified): direct emissions, 8,387.8540 tCO₂e; indirect energy emissions, 34,650.6833 tCO₂e; other indirect emissions, 7,512.2327 tCO₂e</p> <p>(2) Water consumption:</p> <p>1. 2022: 1,403.901 million liters</p> <p>2. 2023: 1,150.522 million liters</p> <p>(3) Waste:</p> <p>1. 2022: Non-hazardous waste: 1,654.155 metric tons, Hazardous waste: 21.400 metric tons</p> <p>2. 2023: Non-hazardous waste: 1,609.58 metric tons, Hazardous waste: 22.83 metric tons</p> <p>II. In 2023, set an annual target of reducing carbon by 3% and power consumption by 2%, and starting various energy-saving and carbon-reduction measures in 2024.</p>	No difference.

Projects to be promoted	Implementation Status (Note 1)			Performance of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
			<p>Regarding the recycling of water resources, currently, toward the water-saving or increasing recycled water, the goal is to increase the utilization of recycled water for 1% or more per year. The waste water generated from the production process, is collected for recycling. The recycled water at each plant account for 6.5%~22%. The measures include: re-used the water recycled from the process, collection of condensate, and recycled of RO water. Each factory premises will report and gather statistics about disposal and processing of waste pursuant to laws and regulations each year. Meanwhile, it will make every endeavor to reduce the quantity year by year and recycle the waste (reuse), or make products re-using the waste. In terms of waste treatment, we have adopted a recycling method, such as physical solidification of sludge into concrete aggregates or crushing of plastic buckets into plastic aggregates, and set the target of recycling more than 90% of waste as resources. We continuously match various waste materials with recycling vendors for final disposal and ensure proper sorting at the source.</p> <p>3. The 2022 greenhouse gas inventory of the five factory areas has been completed in 2023. The 2023 inventory data has been planned to be externally verified by July 2024, and the verification statement is expected to be obtained in September.</p>	
IV. Social Issues				
(I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations of International Bill of Human Rights?	V		The company has established and implemented internal standard documents in line with labor related laws and regulations [category B General Affairs and Personnel Relations], stipulated a human rights policy, and disclosed its standard documents in electronic form, so that employees can fully understand their own rights and interests and relevant application procedures.	No difference.
(II) Has the company established and implemented reasonable employee welfare measures (including compensation, vacation and other benefits), and properly reflected the operating performance or	V		In accordance with the Labor Standards Act, the company has established attendance management measures and promotion, transfer and salary adjustment management measures for employee benefits, so as to reasonably manage the rights and interests of employees in their work and development. In addition, performance management	No difference.

Projects to be promoted	Implementation Status (Note 1)			Performance of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
<p>results in employee compensation?</p> <p>(III) Does the company provide employees with a safe and healthy work environment? Are Employees trained regularly on safety and health issues?</p>	V		<p>measures are formulated for employee performance evaluation, in order to reward employees with excellent performance and improve work morale.</p> <p>1. The Company has introduced ISO/CNS 45001:2018 and followed the PDCA management process, including the establishment of annual safety and health management plans, education and training plans, automatic inspection plans, and employee health and promotion of occupational hazard prevention, as well as health management measures such as health examination and health promotion. The implementation performance is reviewed in the quarterly safety and health committee and the annual management review meeting, and the implementation measures are adjusted in a timely manner. Organize the necessary safety and health education and training in accordance with Article 32 of the Occupational Safety and Health Act (e.g., forklift truck operators, dust operations and noise operations, etc.); and provide new employees with the related orientation training (e.g., new employees' onboard and breakdown of work, etc.), achieving a 100% completion rate for educational training.</p> <p>2. The validity period of the ISO 45001:2018 certificate is from 2024.1.12 to 2027.1.12; the scope of certification includes Yingge Plant, Shulin Plant, Hsinchu Plant, Zhubei Plant, and Hsinchu Science Park Plant.</p> <p>CNS 45001:2018 and the TOSHMS certificate are valid from 2024.1.12 to 2027.1.11; the scope of verification includes Yingge Plant and Shulin Plant.</p> <p>3. In 2023, there were 6 cases of occupational disasters involving 6 employees, accounting for 0.3% of the workforce. There were also 13 cases of traffic accidents commuting to and from work. We have implemented parallel improvements on machinery and equipment involved in workplace accidents, including the installation of photoelectric safety devices, guards, and barriers at potential pinch points, as well as strengthening employee training and education on safety measures.</p> <p>4. There were no fire accidents in 2023.</p>	No difference.

Projects to be promoted	Implementation Status (Note 1)			Performance of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
(IV) Has the company established an effective career development training program for its employees?			We are committed to creating an atmosphere that encourages learning. In addition to establishing OJT training for regular employees and junior supervisor training programs to effectively develop and train employees with the skills required for their jobs, we also provide subsidies for project degrees/programs to continue education and for senior executives to attend advanced level courses to provide more diversified ways to train the talents required for sustainable management.	No difference.
(V) For issues related to the customers' health and safety, consumer privacy, marketing and labeling on the Company's products and services, does the Company comply with the relevant regulations and international standards, and establish relevant policies on consumer or customer protection and complaint procedure?	V		The Company's products and services are marketed and labelled in accordance with the laws and international standards. Notwithstanding, as the Company's main products refer to the immediate goods supplied to serve various production processes, there is no consumer rights-related policy available. Therefore, the Company will use the best effort to keep fair communication with the upstream/downstream dealer, assign contact person for customer relations and keep improving the product quality and service, in order to satisfy various requirements.	No difference.
(VI) Has the Company established policy on supplier management, demanding suppliers to observe code of conduct pertaining to environmental protection, labor safety, and health or labor rights, and monitoring their implementation?	V		The Company has established the supplier management regulations. The Company will assess the suppliers' qualifications at least once per year and include the suppliers' environmental protection, occupational safety and health or human right protection practices into the rating. Any supplier who is found suspected of violating labor safety requirements will not be allowed to be contracted.	No difference
V. Does the Company refer to universal standards or guidelines for report preparation when preparing for Sustainability Report and other non-financial disclosure reports? Does the Company obtain the confirmation or affirmation opinion from a third party for the aforementioned reports?	V		Although the Company is not required by law to prepare a sustainability report, the Company has published the first sustainability report in 2023 to disclose the Company's efforts and contributions to sustainable development and future roadmaps. The Company plans to obtain third-party verification of the sustainability report in 2024.	No difference

Projects to be promoted	Implementation Status (Note 1)			Performance of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
<p>VI. If the Company has established integrity management principles in accordance with “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the current practices and any deviations from the Best Practice Principles:</p> <p>The Company has not yet established a Sustainable Development Principles. However, in December 2021, it established a Sustainability Committee. This committee consists of seven working groups: Corporate Governance, Sustainable Procurement, Information Security, Employee Relations and Social Engagement, Green Innovation, Smart Manufacturing, and Sustainable Environment and Occupational Safety and Health. Each working group meets at least once every six months, and the annual sustainability performance and key significant issues are regularly reported to the Board of Directors.</p>				
<p>VII. Other important information for the implementation of sustainable development:</p> <p>(1) Environmental protection and safety and health: The Company controls the high-quality service that not only help customers prolong the useful life of tools but also improve the processing quality, thus reducing the consumption of resources on the earth. In order to fulfill the corporate social responsibility and commitment, and the target of sustainability, the Company promotes the environmental protection and also continues to improve the waste water and waste goods generated from the production processes, and mitigates the impact posed by the Company’s products, activities and services to the environment, in order to prevent pollution. The Company will also continue to boost the energy conservation policy, in order to save costs and also reduce the emission of the GHGs at the same time. The factory premises are also equipped with air and water pollution prevention equipment. The Company’s air and waste water emissions are considered satisfying the emission standards required by laws. The Company also engages in promotion of environmental protection, safety and health policies periodically.</p> <p>(2) Social participation: The company has long-term adopted the green space of the Yingge Ceramics Museum to allow all visitors to the Ceramic Museum to enjoy better quality and service, communal meals for seniors in Xiyang Village and Zhonghu Village in Yingge District, the donation for a hard-pen calligraphy classroom at Yingge Elementary School, campus improvement projects at Taoyuan Junior High School, the volleyball and boxing teams at Yingge Vocational High School, participation in the STPSTP Seed Talent Training Program by the Small Kindness Association, donations to the Taoyuan Christian Neighbor Love Foundation, and sponsorship of the "2022 National Smart Manufacturing Big Data Analysis Competition" organized by Tunghai University and jointly guided by the Executive Yuan Science and Technology Office and the Ministry of Education. The company also arranged visits and internship activities with National Taipei University of Technology, National Taiwan Ocean University, Tamkang University, and Asia Eastern University of Science and Technology. Through field visits to companies, students can learn about the workplaces and how to improve basic skills in career development, understand what the general knowledge required in the workplace is, and cultivate independent thinking and self-reflection to expand career development; they may also understand the relationship between the school, society and factories, to learn various methods and ways to develop a career.</p> <p>In 2020, the New Taipei City Government launched the "safety and health registration family" collective counseling to select large enterprises that can serve as safety and health role models for small and medium-sized enterprises as the core enterprises for the establishment of the safety and health family (the promotion and operation will last for three years). The Family established in 2022 of the Company has shown good outcomes in its active promotions and was awarded the Appreciation Medal by the Occupational Safety and Health Administration and won the National Merit Award in the safety and health family competition.</p>				

Projects to be promoted	Implementation Status (Note 1)			Performance of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
(3)			For the disaster caused by earthquake in Hualien on February 6, 2018, the Company donated NT\$1 million, hoping to do something for the damages area and victims in Hualien and help them re-build their homeland.	
(4)			The company won the "Corporate Promoting Family Friendly Program Award in 2018" from the New Taipei City Government.	
(5)			In January 2018, Yingge Factory successfully renewed its healthy workplace promotion certification mark.	
(6)			In June 2018, New Taipei City Yingge District Office executed the memorandum of understanding for disaster prevention with the Company.	
(7)			In December 2018, the Company was awarded the 2018 "Waste Resource Circular Economy Evaluation" - Excellent Supplier (Excellent Two-Star) by the Environmental Protection Administration Executive Yuan.	
(8)			In March 2019, New Taipei City Government awarded the Company's Yingge Factory the letter of gratitude for the Factory's engagement in the disaster prevention in 2018.	
(9)			In December 2019, the Company won the "Excellent Healthy Workplace Health Management Award" from the Health Promotion Administration, Ministry of Health and Welfare.	
(10)			In October 2020, Yingge Factory and Shulin Factory were awarded the "AED Certification" by New Taipei City Government.	
(11)			In 2020, the Company will participate in the "Nantou Zhongliao Citrus Wish" project to contribute to an ESG-friendly environment.	
(12)			In 2022, the Company was awarded the Certificate of Appreciation as a Core Enterprise by the Occupational Safety and Health Administration and the Award of Excellence in the Performance Evaluation of the Safety and Health Family.	
(13)			The Company was awarded the title of "Excellent Disaster Prevention Enterprise" by the New Taipei City Government in 2022.	
(14)			In 2023, the Company established the second security and health family, with the Shulin Factory as the core enterprise, and established the "Shining and Shining Kinik Security and Safety Family."	

Note 1: If you select "Yes" for the implementation, please specify the important policies, strategies, measures and implementations; if "No" for the implementation, please describe in the "Deviation from the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies" and causes of the differences, and the plans to adopt related policies, strategies, and measures in the future. However, with regards to Items 1 and 2, the TWSE/TPEX listed company shall describe its sustainable development governance and supervision structure, including but not limited to management approach, strategy and goal setting, and review measures. It also describes the Company's risk management policies or strategies on environmental, social, and corporate governance issues related to its operations, and its evaluation.

Note 2: The principle of materiality refers to the environmental, social and corporate governance issues that have a significant impact on the company's investors and other stakeholders.

Note 3: Please refer to the best practice examples on the website of the Corporate Governance Center of the TWSE for disclosure methods.

(VII) Climate-related information for TWSE/TPEX listed companies

1. Implementation of climate-related information

Item	Implementation Status
<p>1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.</p>	<p>The organizational structure of climate governance in KINIK is in which the board of directors, as the highest supervisory unit, is responsible for formulating the Company's climate development strategies and plays a decision-making role in major climate promotion projects. The Sustainable Development Committee has been established under the Board of Directors to report the results of climate governance implementation to the Board of Directors on a regular basis; the Executive Committee and various functional groups under the Sustainable Development Committee are the main implementation units, responsible for implementing response measures and improvement measures for climate risks or opportunities Program.</p>
<p>2. Describe how the identified climate risks and opportunities affect the Company's business operations, strategies, and finance (short, medium, and long-term).</p>	<p>Short-term: Transition risk - regulatory policies: The increase in the proportion of renewable energy and the imposition of carbon tariffs require continuous assessment of the purchase mechanism and demand for renewable energy, as well as review of the configuration, scale and quota required for the development of new plants, which may increase operating costs.</p> <p>Mid-term: Transformation risk - technology: Investment in R&D of low-carbon technology, assessing the</p>

	<p>feasibility of low-carbon technology development, in order to maximize the benefits of human resources investment.</p>
<p>3. Describe the financial impacts of extreme climate events and transformational actions.</p>	<p>To address issues related to extreme weather and climate change, the Company is actively planning various climate actions, including carbon management, carbon reduction, and water resource utilization. Resources for these transformation actions include implementing an electronic carbon management platform, purchasing green electricity starting in December 2023 (approximately 5 million kWh annually), and installing rooftop solar equipment at the Shulin Plant.</p>
<p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p>	<p>Integrate the work management of all units in the face of climate change issues, inventory what KINIK have been doing, formulate short, medium, and long-term goals and plans for the future, and evaluate the expected resources to be invested as factors for inclusion in project budgets.</p>
<p>5. If scenario analysis is used to assess the resilience to climate change risks, the used scenarios, parameters, assumptions, analysis factors, and main financial impacts shall be described.</p>	<p>In 2022, the Company introduced the Advised Climate-related Financial Disclosures Framework for the first time, which builds a management mechanism for climate-related issues based on the four core elements of "governance, strategy, risk management, indicators and goals." The climate impact of the current situation in KINIK, and make short, medium and long-term adoption plans. The Company will continue to identify and review climate risks and opportunities, plan and adopt measures,</p>

	and use scenario analysis and assessment measures.
6. If there is a transformation plan in place to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transformational risks.	Currently, through the identification and review of climate risks and opportunities, planning and adoption of solutions, as well as evaluating the use of scenario analysis and evaluation measures, and formulating a transformation plan, including increasing the proportion of renewable energy, investment in low-carbon technology R&D, introducing an electronic carbon management system to control various Discharge information, etc.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated.	Driven by climate change issues, including the EU's Carbon Border Adjustment Mechanism (CBAM), the US Clean Competition Act (CCA), and Taiwan's carbon fee measures, treating carbon as a valuable resource has become essential for management. The Company will refer to domestic and international carbon pricing and various fee benchmarks to establish KINIK's carbon pricing.
8. If there are climate-related goals established, an explanation shall be provided on the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress of each year; if carbon offsets or Renewable Energy Certificates (RECs) are used to achieve the related targets, an explanation shall be provided on the source and quantity of the carbon offset limit or the quantity of the Renewable Energy Certificates (RECs).	The Company has announced to achieve the carbon neutrality goal by 2050, set the annual carbon reduction target by 3% and energy saving by 2%, and set the renewable energy target to achieve RE30 by 2030.
9. Greenhouse gas inventories, assurance status, and reduction targets, strategies, and concrete	Please refer to 1-1 and 1-2 below

action plans (please fill in 1-1 and 1-2 separately).

1-1 GHG inventory and assurance in the last 2 years

1-1-1 Greenhouse Gas Inventory Information

Describe the greenhouse gas emission volume (metric tCO₂e), intensity (metric tCO₂e/NT\$ million), and data coverage for the most recent two years.

(1) Greenhouse gas emissions: covering the 5 factory areas

1. In 2022 (not yet verified): direct emissions, 8,235.6821 tCO₂e; indirect energy emissions, 35,592.8388 tCO₂e; other indirect emissions, 7,034.7992 tCO₂e, with an intensity of 7.94.

2. In 2023 (not yet verified): direct emissions, 8,387.8540 tCO₂e; indirect energy emissions, 34,650.6833 tCO₂e; other indirect emissions, 7,512.2327 tCO₂e, with an intensity of 8.54.

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

Note 2: The data coverage of direct emissions and indirect energy emissions shall be handled in accordance with the schedule prescribed in Article 10, Paragraph 2. Other indirect emissions information may be disclosed voluntarily.

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

Note 4: The intensity of greenhouse gas emission can be calculated per unit of product/service or sales volume, but at least the data calculated in terms of sales volume (NT\$ million) shall be disclosed.

1-1-2 Greenhouse Gas Inventory Assurance Information

Describe the status of assurance in the last 2 years up to the date of publication of the annual report, including the scope of assurance, institutions of assurance, criteria of assurance, and opinions of assurance.

The 2022 greenhouse gas inventory of the five factory areas has been completed in 2023. The 2023 inventory data has been planned to be externally verified by July 2024, and the verification statement is expected to be obtained in September. In addition, the complete and assured information of the latest 2023 Sustainability Report will be disclosed in the Sustainability Report.

Note 1: The process shall be conducted in accordance with the schedule specified in Article 10, paragraph 2 of the guidelines. If the company has not obtained the full greenhouse gas assertion before the publication date of the annual report, it is necessary to indicate "complete assurance information will be disclosed in the sustainability report.", if the Company does not prepare a sustainability report, it should be noted that "complete assurance information will be disclosed on the Market Observation Post System" and complete assurance information will be disclosed in the next annual report.

Note 2: The assurance institutions shall comply with the relevant requirements of sustainability report assurance established by The Taiwan Stock Exchange Corporation's (TWSE) and Taipei Exchange (TPEX).

Note 3: Please refer to the best practice examples on the website of the Corporate Governance Center of the TWSE for disclosure methods.

1-2 Greenhouse gas reduction goals, strategies and concrete action plans

Describe the greenhouse gas reduction base year and data, reduction goals, strategies, and concrete action plans and achievement of the reduction goals.

The Company has set the carbon neutrality target for 2050. The base year is 2021. The emission data in 2021 is 53,632.283 tCO₂e. The Company has also set an annual carbon reduction target by 3% for 2022 and power saving target by 2%, and achieved a decrease of 5.16% from 2021.

Note 1: It shall be processed in accordance with the schedule prescribed in Article 10, paragraph 2 of the guidelines.

Note 2: The base year should be the year the inspection is completed based on the boundary of the consolidated financial statements. For example, pursuant to Article 10, Paragraph 2 of the Guidelines, a company with a capital of more than NT\$10 billion should, in 2025, complete the inventory check of the consolidated financial report for the year 2024, making 2024 the base year. If a company has completed the inspection of the consolidated financial statements ahead of schedule, the earlier year can be used as the base year, and the base year data can be calculated by a single year or the average of several years.

Note 3: Please refer to the best practice examples on the website of the Corporate Governance Center of the TWSE for disclosure methods.

(VIII) The Company's performance of ethical corporate management and the measures adopted.

Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons:

Evaluation items	Operation Status			Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
I. Establishment of ethical corporate management policy and plan				
(I) Does the company have an ethical corporate management policy approved by the board of directors and clearly state the ethical corporate management policy and practice in the internal regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the corporate management policy?	V		In order to implement the company's ethical behavior and ethical corporate management, the company has formulated the "Code of Ethical Conduct of Business" which has been approved by the board of directors. All directors, managers and employees of the company shall maintain a high level of personal conduct and professional ethics when carrying out business, so as to maintain the company's reputation and gain the respect and trust of customers, suppliers and people from all walks of life to ensure the sustainable development of the company.	No difference.
(II) Has the company established an evaluation mechanism for the risk of unethical behavior, regularly analyzed and evaluated the business activities with high unethical behavior risk within the business scope, and formulated a plan to prevent unethical behavior accordingly which at least covers the preventive measures for the behaviors in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		The company has formulated the "Code of Ethical Conduct of Business," "Code of Ethical Conduct" and "Code of Professional Ethics" in its internal control system. If employees find any person who violates laws, regulations, or the code of conduct, they should provide sufficient information to report to the company's appropriate personnel. The company shall handle the information above confidentially and responsibly, and do its best to protect the safety of those who report in good faith to prevent any form of retaliation. The company has incorporated ethical behavior into work rules and reward and punishment measures, and established a	No difference.

Evaluation items	Operation Status			Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
(III) Does the company stipulate the operating procedures, behavior guidelines, and disciplinary and grievance systems in its unethical behavior prevention plan and implement them, and regularly review and revise the plan?	V		<p>clear reward and punishment and appeal system.</p> <p>The company pays attention to it through business meetings, examines internal and external risks, and makes immediate countermeasures. The company inspects internal and external risk factors according to internal control and other relevant operation methods.</p> <p>The company also has the "Code of Ethical Conduct of Business", "Code of Ethical Conduct" and "Code of Professional Ethics" which are applicable to all employees. There are also measures for managing business secrets to prohibit the disclosure of business secrets and infringement of intellectual property rights.</p> <p>The company's internal audit unit conducts regular audits on activities with a high risk of unethical behavior. The company pays attention to it through business meetings, examines internal and external risks, and makes immediate countermeasures.</p>	No difference.
<p>II. Implementation of ethical corporate management</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p>		V	<p>The Company's contracts with its trading counterparts currently require compliance with the Company's business ethics, avoid conflicts of interest, and avoid making false statements or other unfair transactions, and refrain from accepting gifts, gifts and other matters related to integrity.</p>	No difference.
(II) Has the company set up a dedicated unit under the board of directors to promote ethical corporate management, and regularly (at least once a year) report to the board of	V		<p>The Company has established an ethics team to handle the amendment, implementation, interpretation and consultation of the ethical code related regulations, as well as the filing and</p>	No difference.

Evaluation items	Operation Status			Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
directors its ethical corporate management policy and plan to prevent unethical behavior as well as its supervision of the implementation?			<p>filing of reports and other related operations and supervision. The team reports to the Board of Directors at least once a year, and its main duties are as follows:</p> <p>I. Assisting in the incorporation of integrity and ethical values into the Company's business strategy, and adopting relevant anti-corruption measures to ensure ethical management in compliance with laws and regulations.</p> <p>II. Regularly analyze and assess the risk of unethical behavior within the scope of business, and based on which to formulate plans for prevention of unethical behavior, and establish relevant standard operating procedures and conduct guidelines for each plan.</p> <p>III. Planning the internal organization, structure, and allocation of responsibilities, and setting up a check-and-balance mechanism for mutual supervision of business activities within the business scope that are at a higher risk of unethical conduct.</p> <p>IV. Promoting and coordinating the promotion and training of integrity policy.</p> <p>V. Planning the whistle-blowing system and ensuring the effectiveness of its implementation.</p> <p>VI. Assisting the Board of Directors and the management in checking and assessing whether the preventive measures established for the implementation of ethical management are operating effectively, and preparing reports on the assessment and compliance of relevant business processes on a regular basis.</p> <p>VII. To prepare and properly keep</p>	

Evaluation items	Operation Status			Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
(III) Does the company have a conflict of interest prevention policy to provide appropriate channels for explanation and implement it?	V		documents related to the ethical corporate management policy, the statement of compliance, the fulfillment of commitments, and the implementation status. The company's internal control system and "Code of Professional Ethics" clearly state that the laws, regulations and company regulations shall be followed. Personal conflicts of interest or conflicts of interest that may intervene in the company's overall interests shall be avoided, and the company's best interests shall be acted upon. The company's purchase (sales) customers, competitors and employees shall be treated fairly, and improper benefits obtained by other unfair trading methods shall be prohibited.	No difference.
(IV) Has the Company implemented effective accounting and internal control systems to maintain business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	V		The company has established effective accounting and internal control systems regularly checked by the internal audit unit.	No difference.
(V) Does the company regularly conduct internal and external training for ethical corporate management?	V		The Company does not organize internal and external education and training on ethical corporate management on a regular basis, but has planned to establish related matters on ethical corporate management this year.	Incorporated into future plans

Evaluation items	Operation Status			Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
<p>III.Operation of the company's accusation system</p> <p>(I) Does the company have a specific accusation and reward system, establish a convenient accusation channel, and assign appropriate personnel to the accused person?</p>	V		<p>The Company has set up the "Code of Professional Ethics" and "Handling of Reports and Complaints"; when company employees find a person who violates laws, regulations or the code of conduct, they shall submit sufficient information to report to appropriate personnel. The Company will appropriately handle such accusation information confidentially and responsibly. It will make every effort to protect the safety of those who accuse in good faith and avoid any form of retaliation.</p> <p>2. If there is a violation of the company's regulations, after investigation and punishment in accordance with the personnel management rules, the case shall be reported to the board of directors and the relevant violators shall be dealt with according to law.</p>	No difference.
<p>(II) Has the company established the standard operating procedures for the investigation of accused matters, follow-up measures after investigation and the relevant confidentiality mechanism?</p>	V		<p>The Company has established the "Handling of Reports and Complaints" to handle the investigation standard operating procedures, follow-up measures and related confidentiality mechanisms for reported matters.</p>	No difference.
<p>(III) Does the company take measures to protect the accuser from improper treatment due to the accusation?</p>	V		<p>The Company has established the "Handling of Reports and Complaints" under which the identity of the whistleblower and the content of the complaint shall be kept confidential by the relevant personnel handling whistle-blowing cases and shall not disclose information that can be used to identify their identity. The company promises to protect the whistleblower from improper treatment due to the report and</p>	No difference.

Evaluation items	Operation Status			Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
			complaint. Improper dispositions include but are not limited to dismissal, demotion, salary reduction, damage to their rights and interests according to laws, contracts or customs, or other unfavorable dispositions.	
IV.Enhancement of Information Disclosure Does the company disclose the content and promotion effect of its ethical corporate management best practice principles on its website and MOPS?	V		The Company has established the "Code of Ethical Conduct of Business," "Code of Professional Ethics" and listed the code of ethical conduct of business, code of ethical conduct on the company's website and the handling methods for accusation cases of illegal, immoral or unethical conduct, so as to disclose the information related to ethical operation.	No difference.

Evaluation items	Operation Status			Performance of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons
	Yes	No	Summary description	
V.If the Company has established business integrity policies in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: No significant difference.				
VI. Other important information helpful to understand the company's ethical corporate management operation: (such as the company's review and amendment of the ethical corporate management best practice principles) The "Code of Ethical Conduct of Business" has been established on April 27, 2023 to enhance the practice of corporate social responsibility and implement ethical corporate management.				

Measures adopted by the company to perform ethical corporate management:

1. Directors and managers shall not offer or receive any improper benefits in the course of business conduct.
2. Company personnel are prohibited from offering or accepting bribes when performing business.
3. It is prohibited to provide illegal political contributions and improper charitable donations or sponsorships.
4. Establish an effective accounting system and internal control system.

(IX) Intellectual Property Management Plan

1. Intellectual property management goals
 - (1) Develop the company into an innovation-oriented work environment.
 - (2) Promote business profits by creating competitive advantages.
 - (3) Encourage employees of the company to apply for patents, thereby enhancing R&D performance and improving the company's technical standard.
 - (4) Establish a complete patent layout of the company's core technologies, and create R&D and patented products with higher values.
 - (5) Strengthen the management of patents, trademarks and business secrets, and provide companies with complete intellectual property protection.

2. Governance Structure of Intellectual Property Management

The Company's CEO Office is responsible for overseeing the overall planning and execution of the Company's operations, patent management, and legal affairs, including: (1) assisting the CEO in handling company-wide affairs and planning the company's sustainable business direction; (2) project planning coordination; (3) tracking, communication and coordination of the business of each business unit; (4) management of patent-related matters; (5) managing trademark-related matters.

3. Intellectual Property Management Plan

The company has established an intellectual property management system with a management cycle of "Plan, Do, Check and Action (PDCA)," including:

- (1) Plan: Set intellectual property management goals and comply with current laws and regulations to promote intellectual property management to achieve organizational goals with the ability to protect intellectual property and avoid infringement of rights.
- (2) Implement: Establish various ISO quality management systems (including "Regulations for Patent Management, ISO M1-00-04", "Regulations for Trademark Management, ISO A1-00-03", and "Regulations for Trade Secret Protection, ISO A5-00-04"), and introduce the Company's intellectual property into the ISO quality management system, so that the application, implementation, maintenance, and continuous improvement of the intellectual property management system can be implemented through the ISO quality management system.
- (3) Check: Supervise and evaluate operational effectiveness in accordance with the policies and objectives of intellectual property management, and regularly supervise, analyze and evaluate the implementation effectiveness of intellectual property management through the Company's internal audits or management reviews.
- (4) Action: Based on the check results, take corrective measures and timely revise and adjust the various management measures to continuously improve the suitability, completeness and effectiveness of the intellectual property management system.

4. Report of Board of Directors

The implementation of the 2023 intellectual property management plan was reported to the board of directors in December 2023.

5. Implementation Status

The Company continues to deploy in various intellectual property fields. In terms of patent layout, as of February 2024, the Company has applied for more than 530 patents at home and abroad, and the total number of approved patents with patent certificates obtained has exceeded 360; in terms of trademark layout, the Company has applied for more than 110 trademarks at home and abroad, and the total number of approved trademarks with trademark certificates obtained has exceeded more than 90. Therefore, through a complete intellectual property layout, the Company's products can receive complete intellectual property protection, which greatly improves the competitive advantage of the Company's products.

In addition, the Company has built "KINIK Patent Map" and "KINIK Trademark Map" on its own recently to keep track on the latest patent and trademark protection policies between the Company and its competitors in order to provide important reference for the Company's product development, patent layout or trademark layout; thus, the Company can improve the quality of patent cases and the strength of patent protection, effectively avoid patent or trademark infringement disputes between the Company and its competitors, and contribute to the Company's sustainable operation and development.

- (X) If the company has formulated corporate governance codes and related regulations, disclose its inquiry method.

The company has listed the "Code of Professional Ethics" and "Code of Practice in Corporate Governance" on the company's official website, which can be inquired from **the company's official website portal/investor service/corporate governance section/rules and operating procedures**.

- (XI) Other important information to be disclosed to improve the understanding of the operation of corporate governance:

The company has listed on the company's official website the relevant measures and information on corporate governance. Investors or interested parties may inquire from **the company's official website portal/investor service/corporate governance section** to enhance the understanding of the corporate governance operation of the company by the interested parties and the public.

- (XII) The following matters shall be revealed in the implementation of the internal control system.

1. Statement of Internal Control:

See page 275 of this annual report.

2. If an independent auditor is entrusted with auditing the internal control system, the independent auditor's report shall be disclosed:

No such situation.

(XIII) During the most recent year and up to the date of printing of the annual report, the punishment of the company and its insiders in accordance with the law, the company's punishment on its insiders for violating the provisions of the internal control system, and the major deficiencies and improvements:

No such situation.

(XIV) Important resolutions of the shareholders' meetings and the board of directors in the most recent year and up to the date of printing of the annual report:

1. Board of Directors

Date	Session number	Important resolutions	Independent directors' opinions and the company's handling of independent directors' opinions
2023.2.23	Board of Directors	<ol style="list-style-type: none"> 1. Distribution of the company's 2022 employees' remuneration and directors' remuneration. 2. Reporting of the company's 2022 business report and consolidated and individual financial reports. 3. Issuance of the company's internal control statement for 2022. 4. Decision on the base date for the conversion of employee stock warrants into new shares for the fourth quarter of 2022. 5. Report on the Company's 2023 financial statements audit and verification appointment 6. General principles for formulating the Company's pre-approved non-assurance service policy 7. Building lease agreement between the Company and its subsidiary, Hongia Industry Co. 8. Amendment to the Company's "Articles of Association." 9. Election of Directors 10. Convening of the 2023 general shareholders' meeting. 	All independent directors approved.
2023.3.23	Extraordinary Board of Directors	<ol style="list-style-type: none"> 1. The Company's 2023 additional budget for capital expenditures and approval of purchases 	All independent directors approved.
2023.04.27	Board of Directors	<ol style="list-style-type: none"> 1. The company's consolidated financial statements for the first quarter of 2023 2. The company's salary adjustment this year. 3. Pension for the Company's Vice Chairman (employee identity) 4. Amendment and adjustment to Article 20 of the Articles of Incorporation 5. The Company's 2022 earnings distribution plan 6. Decision on the base date for the conversion of employee stock warrants into new shares for the first quarter of 2023. 7. Nomination and review of candidates for 9 directors (including 	All independent directors approved.

Date	Session number	Important resolutions	Independent directors' opinions and the company's handling of independent directors' opinions
		3 independent directors). 8. Removal of non-competition restriction on directors. 9. The establishment of the Company's "Code of Ethical Conduct of Business" 10. Addition of reasons for convening the Company's 2023 general shareholders' meeting. 11. The Company's investment in "Wisdom Capital Limited Partnership"	
2023.06.20	Extraordinary Board of Directors	1. Election of the Chairman 2. Election of the Vice Chairman 3. Appointment of the members of the company's Compensation Committee. 4. Appointment of the members of the company's Audit Committee. 5. Appointment of the Company's Sustainability Committee member 6. Due to operational requirements, the Company has created a new position of "Chief Sustainability Officer," and the Chairman is also responsible for the position	All independent directors approved.
2023.06.20	Extraordinary Board of Directors	1. Adjustment of the managers' bonus for this year (excluding the senior managers). 2. Remuneration and transportation allowances for the Company's directors. 3. Remuneration distribution to the Company's directors. 4. Remuneration distribution to the Company's senior managers. 5. The Company's sustainable long-term remuneration 6. Amendment to A3-00-02 Duty Authorization System.	All independent directors approved.
2023.07.26	Board of Directors	1. The Company's consolidated financial statements for the first half of 2023. 2. Decision on the base date for the conversion of employee stock warrants into new shares for the second quarter of 2023. 3. Employee remuneration of the Company's managers for the year (excluding senior managers). 4. Appointment of the Company's Sustainability Committee member 5. Amendment to the "Corporate Sustainability Committee	All independent directors approved.

Date	Session number	Important resolutions	Independent directors' opinions and the company's handling of independent directors' opinions
		Charter". 6. Revision of the Company's 2023 budget. 7. Formulation of the Company's tax policy	
2023.10.25	Board of Directors	1. The company's consolidated financial statements for the first three quarters of 2023. 2. Decision on the base date for the conversion of employee stock warrants into new shares for the third quarter of 2023. 3. Proposal of the Company to establish a subsidiary 4. The Company intends to amend the "Code of Professional Ethics." 5. Proposal of the Company to amend the "Rules Governing Financial and Business Related Operations Between Related Parties" 6. The Company intends to add to the "Handling of Reports and Complaints" 7. The Company plans to add to the "Sustainable Business Laws and Regulations Identification and Inspection Procedures" 8. The Company plans to add to the "Personal Information Protection Management Procedures" 9. The Company proposes to update the "Labor and Moral Risk Assessment and Control Management Procedures"	All independent directors approved.
2023.12.21	Board of Directors	1. Year-end bonus for the current year. 2. The company's 2024 budget. 3. The Company's 2024 audit plan. 4. Assessment of the company's independent auditor. 5. Building and plant lease agreement between the Company and its subsidiary, Hongia Industry Co., Ltd. 6. Amendment to the company's "Measures for the Handling of Important Internal Information and Prevention of Insider Trading." 7. For hedging needs, the Company intends to authorize the Finance Department to engage in derivative financial instrument transactions within the total limit of US\$20 million.	All independent directors approved.
2024.2.27	Board of Directors	1. Distribution of year-end bonuses to associate managers and audit supervisors 2. Distribution of the Company's 2023 employees' remuneration	All independent

Date	Session number	Important resolutions	Independent directors' opinions and the company's handling of independent directors' opinions
		<p>and directors' remuneration.</p> <ol style="list-style-type: none"> 3. Reporting of the Company's 2023 business report and consolidated and individual financial reports. 4. Issuance of the company's internal control statement for 2023. 5. The Company's plan to issue cash dividend with capital reserve. 6. The Company's 2023 earnings distribution plan 7. Decision on the base date for the conversion of employee stock warrants into new shares for the fourth quarter of 2023. 8. Report on the Company's 2024 financial statements audit and verification appointment 9. The Company's plan to amend the "Articles of Incorporation." 10. The Company's plan to amend the Company's "Regulations of Board of Directors." 11. The Company intends to amend the "Code of Professional Ethics." 12. Convening of the 2024 general shareholders' meeting. 	<p>Independent directors' opinions and the company's handling of independent directors' opinions</p> <p>directors approved.</p>
2024.4.24	Board of Directors	<ol style="list-style-type: none"> 1. The company's consolidated financial statements for the first quarter of 2024 2. The company's salary adjustment this year. 3. Decision on the base date for the conversion of employee stock warrants into new shares for the first quarter of 2024. 4. The company's 2024 formulation of measures for employee stock option certificate issuance and stock subscription. 5. The Company's proposal to issue the first domestic unsecured convertible corporate bonds 6. Amendment to the Company's "Risk Management Policy." 	<p>All independent directors approved.</p>
<p>Other matters:</p> <p>(1) Implementation status of independent directors' avoidance of proposals with personal interests: None.</p>			

2. Shareholders' Meeting

Date	Session number	Important resolutions
2023.06.20	Shareholders' Meeting	1. Full re-election of directors 2. Amendment to the Company's "Articles of Association." 3. Removal of non-competition restriction on the Company's directors.

(XV) In the most recent year and as of the annual report's printing date, if the directors or supervisors have different opinions on important resolutions passed by the board of directors with records or written statements in place, the main content of them.

No such situation.

(XVI) Summary of the resignation and dismissal of persons related to financial reports (including the chairman, president, accounting director, finance director, internal audit director and R&D director) in the most recent year and as of the printing date of the annual report.

No such situation.

(XVII) Status of the company's personnel related to financial information transparency who have obtained relevant licenses required by the competent authority.

License	Department	Number of people	
		Internal Audit	Finance
Certified Public Accountant (CPA)		-	1
Certified public bookkeeper		-	3
Corporate Governance Basic Aptitude Test		-	3
Certified Internal Auditor (CIA)		1	-
Certification in Risk Management Assurance (CRMA)		1	-

(XVIII) Important resolutions of the 2023 shareholders' meeting and implementation status.

1. Approved the company's 2022 final accounts:

Implementation status: The certification of the Company's 2022 financial report was completed by independent auditors MING-HSIEN, LIU and YUNG-HSIANG CHAO of Deloitte Taiwan; the independent auditor's report and review report were submitted, respectively.

2. 2022 Remuneration for Directors and Supervisors and Employees Compensation:

Directors' cash remuneration was NT\$13,200,000, and employees' cash compensation was NT\$150,000,000; both were paid on July 28, 2023.

3. The Company's 2022 earnings distribution plan:

Implementation status: The actual earnings distribution in 2022 was cash dividend for a total of NT\$576,239,000 to shareholders, with July 19, 2023 set as the ex-dividend date, and July 28, 2023 as the date of cash dividend distribution; the cash dividend was NT\$4.00 per share.

4. Election: full re-election of directors

Implementation: The list of elected directors is as follows:

Legal Representatives of KINMEAN COMPANY LTD.: Mr. PO-CHUAN, LIN, Mr. JUNG-CHE, HSIEH

Legal Representative of Kinchuan Investment Co. Ltd.: Mr. Wen-Liang Pai

Legal Representative of LI-HE INV. LTD. COMPANY: Mr. TONY PAI

Legal Representatives of KINKI INV LTD. COMPANY: Mr. William Lee, Mr. FU-I, HUNG.

List of elected independent directors: Mr. SHING-YUAN, TSAI, Mr. BAUL-HSIE, LIAO, Mr. WEN-I, HSIAO

5. Approved the amendment to the Company's "Articles of Association" of the company:

Implementation status: Resolution passed.

6. Removal of non-competition restriction on the Company's directors:

Implementation status: Resolution passed.

V. CPA Public Expense Information

Unit: Thousand NT\$

Accounting firm's name	Accountant's name	Accountant review period	Audit fee	Non-audit public expense	Total	Remarks
Deloitte Taiwan	MING-HSIEN LIU	2023.01.01 - 2023.12.31	4,450	Tax audit fees, miscellaneous expenses for typing and printing, travel, and others: 985	5,435	
	YUNG- HSIANG CHAO	2023.01.01 - 2023.12.31				

Please specify the contents of non-audit services: (Such as tax certification, assurance or other financial consulting services)

Note: When there is a change in independent auditors or accounting firm during the year, the Company shall disclose the audit period and the reasons for the change in the remarks column, as well as the information on the audit and non-audit fees paid. Please include a note to state the contents of non-audit services.

VI. Change of independent auditor

No such situation.

VII. If the chairman, president, or manager in charge of financial or accounting affairs of the company has worked in the firm of the independent auditor or its affiliated enterprises in the past year, the company shall disclose the name, job title and the period of working in the firm of the independent auditor or its affiliated enterprises.

No such situation.

VIII. Equity transfer and equity pledge by directors, supervisors, managers, and shareholders with a shareholding ratio of more than 10% in the most recent year and up to the date of printing of the annual report.

(I) Changes in Equity Pledge

Title	Name	2023		As of April 26, 2024	
		Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in pledged shares
Chairman	KINMEAN COMPANY LTD. Legal representative: PO-CHUAN LIN	0	0	0	0
Directors	Kinchuan Investment Co. Ltd. Legal representative: Wen-Liang, Pai	0	0	0	0
Directors CEO	KINMEAN COMPANY LTD. Legal representative: JUNG-CHE HSIEH	0	0	0	0
Directors Vice President of Chairman's Office	LI-HE INV. LTD. COMPANY Legal representative: Tony Pai	0	0	0	0
Directors President of Diamond B. U.	KINKI INV LTD. COMPANY Legal representative William Lee	0	0	0	0
Directors Semiconductor Materials B.U. President	KINKI INV LTD. COMPANY Legal representative FU-I HUNG	0	0	0	0
Independent Director	Hsin-Yuan Tsai	0	0	0	0
Independent Director	Po-Hsi Liao	0	0	(15,000)	0
Independent Director	Wen-Yi Hsiao	0	0	0	0
CFO	YUNG-SHENG KU	(20,000)	0	0	0
Vice President of Diamond B.U.	Jui-Lin Chou	50,000	0	(90,000)	0
Vice President of Abrasives B.U.	Shao-Chung Hu	10,000	0	10,000	0
Director of Abrasives B.U.	Chien-Chung Teng	0	0	0	0
Director of Semiconductor Materials B.U.	Chi-Tung Tsai	(5,000)	0	0	0
Director of Semiconductor Materials B.U.	Wen-Hsiung Chou	(25,000)	0	0	0
Director of Semiconductor Materials B.U.	Tien-Chi Cheng	0	0	0	0
R&D Director	James Ho	(20,000)	0	(45,000)	0

(II) If the counterparty of the equity transfer or pledge is a related party, the name of the counterparty, its relationship with the company, directors, supervisors, managers and

shareholders with a shareholding ratio of more than 10%, and the number of shares acquired or pledged shall be disclosed :

No such situation.

IX. Shareholding Ratio of Top 10 Shareholders and Their Affiliated Persons, Spouses, or Other Relatives within Two Degrees of Kinship

Name	Shareholding of the person		Shareholding of spouse and minor children		Shareholding under other person(s)		Top 10 Shareholders and Their Affiliated Persons, Spouses, or Other Relatives within Two Degrees of Kinship		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (Name)	Relationship	
Representative of KINMEAN COMPANY LTD.: MAN-LI LIN CHEN	9,892,423	6.82	-	-	-	-	MAN-LI LIN CHEN YANG-LIANG PAI Wen-Liang, Pai	The company's Chairman Relative within 2nd degree of kinship Relative within 2nd degree of kinship	
Representative of Cathay Life Insurance Co., Ltd.: Ming-ho Xiong	8,233,000	5.67	-	-	-	-	None	None	
YANG-LIANG PAI	6,454,372	4.45	2,132,539	1.47	-	-	LI-HE INV. LTD. COMPANY Wen-Liang, Pai MAN-LI LIN CHEN	The company's Chairman Relative within 2nd degree of kinship Relative within 2nd degree of kinship	
MAN-LI LIN CHEN	6,178,865	4.26	-	-	-	-	KINMEAN COMPANY LTD. YANG-LIANG PAI Wen-Liang, Pai	The company's Chairman Relative within 2nd degree of kinship Relative within 2nd degree of kinship	
Chao-Bao, Tsai	5,344,000	3.68	-	-	-	-	None	None	
Representative of KINKI INV LTD. COMPANY: PO-CHUAN LIN	4,796,000	3.30	-	-	-	-	MAN-LI LIN CHEN	Relative within 1st degree of kinship	
Representative of Kinchuan Investment Co. Ltd.: Wen-Liang, Pai	4,117,167	2.84	-	-	-	-	Wen-Liang, Pai YANG-LIANG PAI MAN-LI LIN CHEN	The company's Chairman Relative within 2nd degree of kinship Relative within 2nd degree of kinship	
Investment Account of Central Bank of Norway managed by Citibank	3,442,450	2.37	-	-	-	-	None	None	
Wen-Liang, Pai	3,190,605	2.20	1,310,940	0.90	-	-	Kinchuan Investment	The Company's Chairman The company's	

Name	Shareholding of the person		Shareholding of spouse and minor children		Shareholding under other person(s)		Top 10 Shareholders and Their Affiliated Persons, Spouses, or Other Relatives within Two Degrees of Kinship		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (Name)	Relationship	
							Co. Ltd. YANG-LIANG PAI MAN-LI LIN CHEN	Chairman Relative within 2nd degree of kinship Relative within 2nd degree of kinship	
Representative of LI-HE INV. LTD. COMPANY: YANG-LIANG PAI	2,471,420	1.70	-	-	-	-	YANG-LIANG PAI Wen-Liang, Pai MAN-LI LIN CHEN	The company's Chairman Relative within 2nd degree of kinship Relative within 2nd degree of kinship	

Note: YANG-LIANG PAI, WEN-LIANG, PAI and MAN-LI LIN CHEN are relatives within 2nd degree of kinship. MAN-LI LIN CHEN and PO-CHUAN, LIN are relatives within 1st degree of kinship.

X. Number of Shares and Consolidated Shareholding Percentage of Investee Company Held by the Company, Directors, Supervisor and Managers of the Company, and Entities in which the Company has Direct or Indirect Controlling Interests

Unit: Share; %

Investees (note)	Invested by the Company		Held by Directors, Supervisors, managerial officers, and directly/indirectly controlled entities		Aggregated investment	
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Jinli Investment Co., Ltd.	2,000,000	100%	0	0%	2,000,000	100%
Hongia Industry Co.	2,925,000	100%	0	0%	2,925,000	100%
KINIK-THAI CO., LTD	481,800	47.2%	0	0%	481,800	47.2%
Winsheng Material Technology (Wmt)	2,000,000	6.2%	0	0%	2,000,000	6.2%

Note: The Company's long-term investment under equity method.

IV. | Fundraising status

I. Capital and shares

(I) Approved share capital:

April 26, 2024 Unit: share

Types of shares	Approved share capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered ordinary shares	145,148,000	54,852,000	200,000,000	Listed

Note: The total number of shares issued as of April 26, 2024 was 145,148,000 shares, including 204,500 shares exercised by employees from January 1, 2024 to April 26, 2024, but the change registration with the Ministry of Economic Affairs has not yet been processed.

(II) Source of share capital:

April 26, 2024 Unit: share

Month/year	Issue price	Approved share capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital (NT\$)	Payment of share price with property other than cash	Other
October 2004	10	90,000,000	900,000,000	67,600,000	676,000,000	Capital increase from earnings 67,600,000	None	Note 1
November 2005	10	110,000,000	1,100,000,000	79,500,000	795,000,000	Capital increase from earnings 101,400,000 Employee bonus 17,600,000	None	Note 2
November 2005	10	110,000,000	1,100,000,000	98,463,954	984,639,540	Issuance of new shares for merger 189,639,540	None	Note 3
September 2006	10	200,000,000	2,000,000,000	115,300,000	1,153,000,000	Capital increase from earnings 147,695,930 Employee bonus 20,664,530	None	Note 4
September 2007	10	200,000,000	2,000,000,000	133,500,000	1,335,000,000	Capital increase from earnings 172,950,000 Employee bonus 9,050,000	None	Note 5
September 2008	10	200,000,000	2,000,000,000	141,000,000	1,410,000,000	Capital increase from earnings 66,750,000 Employee bonus 8,250,000	None	Note 6
2020/11	10	200,000,000	2,000,000,000	141,077,500	1,410,775,000	Conversion of stock options 775,000	None	Note 7
2021/5	10	200,000,000	2,000,000,000	141,469,000	1,414,690,000	Conversion of stock options 3,915,000	None	Note 8



April 26, 2024 Unit: share

Month/ year	Issue price	Approved share capital		Paid-in capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital (NT\$)	Payment of share price with property other than cash	Other
2021/8	10	200,000,000	2,000,000,000	141,543,000	1,415,430,000	Conversion of stock options 740,000	None	Note 9
2021/12	10	200,000,000	2,000,000,000	141,778,000	1,417,780,000	Conversion of stock options 2,350,000	None	Note 10
2022/3	10	200,000,000	2,000,000,000	142,658,000	1,426,580,000	Conversion of stock options 8,800,000	None	Note 11
2022/5	10	200,000,000	2,000,000,000	142,957,000	1,429,570,000	Conversion of stock options 2,990,000	None	Note 12
2022/8	10	200,000,000	2,000,000,000	143,126,000	1,431,260,000	Conversion of stock options 1,690,000	None	Note 13
2022/11	10	200,000,000	2,000,000,000	143,712,750	1,437,127,500	Conversion of stock options 5,867,500	None	Note 14
2023/3	10	200,000,000	2,000,000,000	143,733,750	1,437,337,500	Conversion of stock options 210,000	None	Note 15
2023/5	10	200,000,000	2,000,000,000	144,059,750	1,440,597,500	Conversion of stock options 3,260,000	None	Note 16
2023/8	10	200,000,000	2,000,000,000	144,104,750	1,441,047,500	Conversion of stock options 450,000	None	Note 17
2023/11	10	200,000,000	2,000,000,000	144,692,250	1,446,922,500	Conversion of stock options 5,875,000	None	Note 18
2024/3	10	200,000,000	2,000,000,000	144,943,500	1,449,435,000	Conversion of stock options 2,512,500	None	Note 19
2024/4	10	200,000,000	2,000,000,000	145,148,000	1,451,480,000	Conversion of stock options 2,045,000	None	Note 20

Note 1: This capital increase was approved by the Financial Supervisory Commission of the Executive Yuan on July 28, 2004 via the letter referenced Jin-Guan-Cheng-Yi-Zi No. 0930133596 to increase capital and issue new shares.

Note 2: This capital increase was approved by the Financial Supervisory Commission of the Executive Yuan on August 15, 2005 via the letter referenced Jin-Guan-Cheng-Yi-Zi No. 0940133462 to increase capital and issue new shares.

Note 3: This capital increase was approved by the Financial Supervisory Commission of the Executive Yuan on August 22, 2005 via the letter referenced Jin-Guan-Cheng-Yi-Zi No. 0940133626 to increase capital and issue new shares.

Note 4: This capital increase was approved by the Financial Supervisory Commission of the Executive Yuan on July 3, 2006 via the letter referenced Jin-Guan-Cheng-Yi-Zi No. 0950127962 to issue new shares.

Note 5: This capital increase was approved by the Financial Supervisory Commission of the Executive Yuan on July 3, 2007 via the letter referenced Jin-Guan-Cheng-Yi-Zi No. 0960033676 to increase capital and issue new shares.

Note 6: The capital increase was approved by the Financial Supervisory Commission of the Executive Yuan on July 2, 2008 via the letter referenced Jin-Guan-Cheng-Yi-Zi No. 0970032886 to increase capital and issue new shares.

Note 7: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on November 11, 2020 via the letter referenced Jing-Shou-Shang No. 10901212790 to increase capital and issue new shares.

Note 8: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on May 25, 2021 via the letter referenced Jing-Shou-Shang No. 11001087080 to increase capital and issue new shares.

Note 9: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on August 13, 2021 via the letter referenced Jing-Shou-Shang No. 11001147220 to increase capital and issue new shares.

Note 10: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on December 7, 2021 via the letter referenced Jing-Shou-Shang No. 11001208100 to increase capital and issue new

shares.

Note 11: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on March 31, 2022 via the letter referenced Jing-Shou-Shang No. 11101041530 to increase capital and issue new shares.

Note 12: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on May 25, 2022 via the letter referenced Jing-Shou-Shang No. 11101079670 to increase capital and issue new shares.

Note 13: The Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on August 17, 2022 via the letter referenced Jing-Shou-Shang No. 11101156470 to increase capital and issue new shares.

Note 14: The Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on November 17, 2022 via the letter referenced Jing-Shou-Shang No. 11101217370 to increase capital and issue new shares.

Note 15: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on March 16, 2023 via the letter referenced Jing-Shou-Shang No. 11230040870 to increase capital and issue new shares.

Note 16: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on May 22, 2023 via the letter referenced Jing-Shou-Shang No. 11230084050 to increase capital and issue new shares.

Note 17: The Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on August 28, 2023 via the letter referenced Jing-Shou-Shang No. 11230157270 to increase capital and issue new shares.

Note 18: The Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on November 16, 2023 via the letter referenced Jing-Shou-Shang No. 11230214900 to increase capital and issue new shares.

Note 19: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on March 27, 2024 via the letter referenced Jing-Shou-Shang No. 11330042310 to increase capital and issue new shares.

Note 20: With respect to the employee stock options already executed from January 1, 2024 to April 26, 2024, 204,500 shares in total, no registration of changes has been done.

(III) Shareholder structure:

April 26, 2024

Shareholder structure Quantity	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institutions and foreign individuals	Total
Number (persons)	0	15	157	18,981	142	19,295
Number of shares held (shares)	0	12,100,000	38,829,052	74,081,573	20,137,375	145,148,000
Shareholding ratio (%)	0	8.34	26.75	51.04	13.87	100

(IV) Decentralization of shareholding:

April 26, 2024

Tiers of shareholding	Number of shareholders (persons)	Number of shares held (shares)	Shareholding ratio (%)
1 to 999	7,053	1,084,233	0.75
1,000 to 5,000	10,816	18,383,147	12.67
5,001 to 10,000	716	5,545,069	3.82
10,001 to 15,000	205	2,678,446	1.85
15,001 to 20,000	117	2,154,643	1.48
20,001 to 30,000	113	2,848,033	1.96
30,001 to 40,000	52	1,823,228	1.26
40,001 to 50,000	43	1,967,818	1.36
50,001 to 100,000	58	4,328,614	2.98
100,001 to 200,000	47	7,004,921	4.83
200,001 to 400,000	27	7,614,502	5.25
400,001 to 600,000	12	5,805,611	4.00
600,001 to 800,000	8	5,681,000	3.91
800,001 to 1,000,000	6	5,435,769	3.74
More than 1,000,001	22	72,792,966	50.14
Total	19,295	145,148,000	100.00

(V) List of major shareholders:

April 26, 2024

Name of major shareholders	Number of shares held (shares)	Shareholding ratio (%)
KINMEAN COMPANY LTD.	9,892,423	6.82
Cathay Life Insurance Co., Ltd.	8,233,000	5.67
YANG-LIANG PAI	6,454,372	4.45
MAN-LI LIN CHEN	6,178,865	4.26
Chao-Bao, Tsai	5,344,000	3.68
KINKI INV LTD. COMPANY	4,796,000	3.3
Kinchuan Investment Co.Ltd.	4,117,167	2.84
Investment Account of Central Bank of Norway managed by Citibank	3,442,450	2.37
Wen-Liang, Pai	3,190,605	2.2
LI-HE INV. LTD. COMPANY	2,471,420	1.7
Total	54,120,302	37.29

(VI) Market price, net worth, earnings, dividends and related information of each share in the last two years:

Unit: NT\$

Item	Year		2022	2023	As of April 31, 2024
	Stock price per share (note 3)	Highest		173.5	192
	Lowest		97.5	105.5	180.5
	Average		128.14	135.78	226.75
Net value per share (note 4)	Prior to distribution		40.09	44.86	42.50 (Note 2)
	After distribution		36.08	42.34	Note 1
Earnings per share (EPS)	Weighted average outstanding shares (shares in thousands)		143,242	144,291	145,032
	Earnings per share (before adjustment) (Note 5)		8.71	5.91	1.77 (Note 2)
	Earnings per share (after adjustment)		8.71	5.91	Note 1
Dividend per share	Cash dividends		4	4	NA
	Free of charge Stock dividend	From earnings	NA	NA	NA
		From capital reserves	NA	NA	NA
	Cumulative unpaid dividends (Note 6)		NA	580,082	NA
PE Ratio (Note 7)			14.71	22.97	NA

Analysis of investment returns	Price to dividend ratio (Note 8)	32.03	33.95	NA
	Dividend Yield (%) (Note 9)	3.00%	3.00%	NA

Note 1: The earnings distribution proposal for 2023 is yet to be approved in the Shareholders' Meeting.

Note 2: The financial report amount until March 31, 2024.

Note 3: List the highest and lowest market values of common stock for each year, and calculate the average market value based on the transaction value and volume for each year.

Note 4: Please use the number of outstanding shares at the end of the year as the basis and fill in the information according to the resolution of the board of directors or the shareholders' meeting of the following year.

Note 5: If a retroactive adjustment is required due to a stock dividend distribution, the earnings per share before and after the adjustment should be shown.

Note 6: If the conditions of an equity security issuance provide that the unpaid dividends of the current year may be accumulated and paid in the year in which there is a surplus, the dividends accumulated and unpaid as of the current year should be disclosed separately.

Note 7: Price-to-Earning Ratio = average closing price per share/earnings per share for the year.

Note 8: Price-Dividend Ratio = average closing price per share/cash dividends per share for the year.

Note 9: Cash dividend yield rate = cash dividends per share / average closing price per share for the year.

Note 10: Net value per share and earnings per share should be presented as of the most recent quarterly report audited (reviewed) by independent auditors; the remaining columns should be presented for the current year as of the publication date of the annual report.

(VII) Company dividend policy and implementation status:

1. The company's dividend policy

The Company will balance dividend payments according to the operating and investment environment and capital requirements, and take into account the interests of shareholders and capital adequacy. If there are earnings in the company's annual final accounts, in addition to paying taxes and making up previous losses in accordance with the law, 10% will be first appropriated as the legal reserve, except when the legal reserve has reached the amount of the paid-in capital; after the special reserve is allocated or reversed in accordance with the regulations of the competent authority, the Board of Directors shall draft an earnings distribution proposal for the remaining distributable earnings together with the previous retained earnings, and submit it to the annual general meeting for a resolution of distribution. The proposal for the Company's stock dividends and bonus or legal reserve distributed from earnings or capital surplus to be paid in cash, in whole or in part, shall be subject to a resolution adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of director. A report of such distribution shall be submitted to a shareholders' meeting. The issuance of shareholders' dividends may adopt the two methods of issuance of new shares and issuance of cash, and the respective proportions of the two are to be planned specified by the Board of Directors depending upon the actual needs. However, the amount distributed in the form of cash dividends shall not be less than 20% of the total shareholders' dividends proposed for distribution for the current year.

The special reserve as mentioned in the preceding paragraph refers to the book net amount of other deductions from equity (for the cumulative balance of, for example, exchange differences resulting from translating the financial statements of foreign operations, unrealized gains or losses in the fair value of financial assets through other comprehensive income, gains or losses on hedges, revaluation

increments) for the period in which it arises. An equivalent amount of special reserve shall be allocated from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period. If there remains any insufficiency, it shall be allocated from the undistributed earnings of the previous period. If there is a cumulative net amount of other deductions from equity in a preceding period(s), the Company shall allocate an amount of special reserve equal to the amount allocated to undistributed earnings for the preceding period. If there remains any insufficiency, allocate it from the amount of the after-tax net profit for the period, plus items other than after-tax net profit for the period, that are included in the undistributed earnings of the period.

2. Proposal to distribute stock dividend this year

Unit: NT\$

Unappropriated retained earnings at the beginning of the period		\$ 1,392,502,019
Defined Benefit plan re-measurement recognized in retained earnings confirmed		8,484,155
Adjustment to unappropriated earnings due to the adoption of the equity method of investment		782,941
		1,401,769,115
Add: Net profit for the period	852,121,901	
Less: Provision of legal reserve	(86,138,900)	
Less: Special reserve appropriated pursuant to laws	(533,780)	
Subtotal		765,449,221
Earnings available for distribution for this period		2,167,218,336
The distribution is as follows:		
Bonus to shareholders - cash (2.5/share)		(362,551,250)
Unappropriated retained earnings at the end of the period		\$1,804,667,086

Note: The proposed dividend distribution at the shareholders' meeting: On February 27, 2024, the Board of Directors resolved the 2023 earnings appropriation, which proposed to distribute the 2023 after-tax net profit of NT\$362,551,250 in cash 2.5 dollars). The Company also intended to appropriate NT\$217,530,750 of the capital reserve from the premium from the issuance of shares in excess of the par value to distribute cash dividend of NT\$1.5 per share based on the shareholding recorded in the shareholder registry on the ex-dividend date. This results in a total cash dividend of NT\$4 per share. To be distributed upon the approval of the 2024 General Shareholders' Meeting.

Chairman: Po-Chuan, Lin  Managers: Jung-Che, Hsieh  Accountant Director: Yung-Sheng Ku 

(VIII) The impact on the operating performance of the Company and earnings per share by the proposal of the Shareholders' Meeting to issue bonus shares:

As it is expected that only cash dividends will be allocated, exclusive of stock dividends, this year, the Company's operating performance and EPS should remain unaffected.

(IX) Remuneration of Employees, Directors and Supervisors:

1. The amount or scope of the remuneration of employees, directors and supervisors as stated in the articles of association:

Where the Company has a profit at the end of a fiscal year, an amount no less than 1% thereof shall be appropriated as the employees' remuneration, which is to be distributed and issued in the form of shares or cash according to the resolution of the Board of Director's meeting. The recipients thereof include employees of affiliates satisfying certain criteria. The Company may appropriate no more than 2% of the aforementioned profit amount as the remuneration of Board of Directors. The distribution of the employees' remuneration and the remuneration of Directors shall be reported to the shareholders' meeting,

provided that where there is accumulated loss, the Company shall reserve amount to compensate such loss first, followed by setting aside for the employees' remuneration and the remuneration of Directors according to the aforementioned ratio.

2. The calculation basis for the estimated amount of remuneration for employees, directors and supervisors, the calculation basis for the number of shares of employee remuneration distributed by shares, and the accounting treatment if the actual distribution amount is different from the estimated amount:

If there is a discrepancy between the actual distribution amount and the estimated amount, it will be listed as the current year's expense and the assessment method will be reviewed in the next board of directors' meeting.

3. Remuneration distribution approved by the board of directors:

- (1) The amount of employees' remuneration and directors' and supervisors' remuneration paid in cash or shares. If there is a discrepancy from the annual estimated amount of recognized expenses, the discrepancy amount, reasons and handling shall be disclosed:

The Board of Directors approved the proposal for 2023 remuneration distribution to employees in cash, NT\$104,500,000, and to directors, NT\$13,800,000.

- (2) The amount of employees' remuneration distributed by shares and its proportion to the total amount of individual or respective financial reports after tax, and the total employees' remuneration for the period:

The company does not distribute employees' remuneration by shares.

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

The distribution in 2023 is cash remuneration of NT\$150,000,000 for employees and NT\$13,200,000 for directors for the year of 2022. There is no difference from the proposed distribution approved by the original board of directors.

- (X) The company's buyback of shares:

No such situation.

II. Status of corporate debt handling

No such situation.

III. Status of special shares handling

No such situation.

IV. Status of overseas depository receipts handling

No such situation.

V. Status of employee stock options handling

(I) Status of the handling of employee stock options that have not yet expired as of the printing date of the annual report

April 30, 2024

Type of employee stock options	1st employee stock option certificate in 2018
Effective date of registration and total units	107.7.20、2,500
Issuance (handling) date	107.7.26
Number of units issued	2,500
Number of units available for issuance	0
Ratio of subscription shares issued to total shares issued	1.725%
Duration of share subscription	6 years
Performance method	Issuance of new shares
Restricted subscription period and ratio (%)	50% after two years, and 100% after three years
Number of shares acquired after execution	2,385,000 shares
Amount of executed share subscriptions	NT\$142,001,899
Number of outstanding shares not converted from stock options	50,000 shares
Subscription price per share for unexecuted subscriptions	NT\$56.10
Ratio of the number of outstanding shares for number of outstanding shares not converted from stock options (%)	0.034%
Impact on shareholders' equity	Two years after the issuance date of the employee stock option certificate, the original shareholder's equity will be diluted year by year during its existence, so the dilution effect is limited.

Note: 65,000 shares were cancelled upon termination of employment

Type of employee stock options	1st employee stock option certificate in 2020
Effective date of registration and total units	109.6.22、2,500
Issuance (handling) date	109.7.29
Number of units issued	2,500
Number of units available for issuance	0
Ratio of subscription shares issued to total shares issued	1.725%

Duration of share subscription	6 years
Performance method	Issuance of new shares
Restricted subscription period and ratio (%)	50% after two years, and 100% after three years
Number of shares acquired after execution	1,763,000 shares
Amount of executed share subscriptions	NT\$104,861,300
Number of outstanding shares not converted from stock options	710,500 shares
Subscription price per share for unexecuted subscriptions	NT\$58.6
Ratio of the number of outstanding shares for number of outstanding shares not converted from stock options (%)	0.490%
Impact on shareholders' equity	Two years after the issuance date of the employee stock option certificate, the original shareholder's equity will be diluted year by year during its existence, so the dilution effect is limited.

Note: 26,500 shares were cancelled upon termination of employment

Type of employee stock options	1st employee stock option certificate in 2022
Effective date of registration and total units	111.6.23、2,500
Issuance (handling) date	111.7.26
Number of units issued	2,500
Number of units available for issuance	0
Ratio of subscription shares issued to total shares issued	1.725%
Duration of share subscription	6 years
Performance method	Issuance of new shares
Restricted subscription period and ratio (%)	50% after two years, and 100% after three years
Number of shares acquired after execution	0
Amount of executed share subscriptions	0
Number of outstanding shares not converted from stock options	2,445,000 shares
Subscription price per share for unexecuted subscriptions	NT\$154.8
Ratio of the number of outstanding shares for number of outstanding shares not converted from stock options (%)	1.687%
Impact on shareholders' equity	Two years after the issuance date of the employee stock option certificate, the original shareholder's equity will be diluted year by year during its existence, so the dilution effect is limited.

Note: 55,000 shares were cancelled upon termination of employment (including retention)

(II) Names and subscription status of managers who have obtained employee stock warrants and of employees who rank among the top ten in terms of the number of shares to which they have subscription rights through employee stock warrants acquired, accumulated until the date of publication of the annual report

Title	Name	Number of shares to which they have subscription rights	Ratio of the number of shares to which they have subscription rights to the total number of outstanding shares	Executed				Not executed			
				Subscription quantity	Subscription price	Subscription amount	Ratio of the subscription quantity to the total number of outstanding shares	Subscription quantity	Subscription price	Subscription amount	Ratio of the subscription quantity to the total number of outstanding shares
CEO	JUNG-CHE HSIEH	2,814,000	1.94%	1,500,000	89,316,500	1.03%	1,314,000	163,906,500	0.91%		
President of Abrasives B.U. (Note)	BING-HSIUNG SU										
President of Diamond B.U.	William Lee										
Semiconductor Materials B.U. President	FU-I HUNG										
CFO (note)	YUNG-SHENG KU										
Audit Director	Yi-Chun Ko										
Vice President of Abrasives B.U. (Note)	Shao-Chung Hu										
Director of Abrasives B.U.	Chien-Chung Teng										
Vice President of Diamond B.U. (Note)	Jui-Lin Chou									Issued at NT\$56.1 in 2018	Issued at NT\$56.1 in 2018
Director of Semiconductor Materials B.U.	Chi-Tung Tsai									Issued at NT\$58.6 in 2020	Issued at NT\$58.6 in 2020
Director of Semiconductor Materials B.U.	Wen-Hsiung Chou									Issued at NT\$154.8 in 2022	Issued at NT\$154.8 in 2022
Director of Semiconductor Materials B.U.	Tien-Chi Cheng										
R&D Director	James Ho										
Top Ten Employees	TIEN-YU WU	1,445,000	1.00%	930,000	55,539,500	0.64%	515,000	70,969,000	0.36%		
	YU-YU LIU										
	CHIH-CHUN HSU										
	I-CHANG LIN										
	I-TSAO LIAO (note)										
	MIN-HUNG WU										
	HSLANG-KUN HSIEH										
	CHUNG-HSIN E										
	CHUN-CHENG LIN										



Affiliate's employee	NAN-HUANG LIU										
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Remarks:

- On January 1, 2021, former Director of the Diamond B.U., Mr. JUI-LIN CHOU, was promoted to Vice President of the Diamond B.U. Mr.CHIN-HSING CHANG, former CFO, retired on February 4, 2021; Mr. YUNG-SHENG KU became our CFO and accounting officer on February 24; Mr. I-TSAO LIAO, former top ten employees, retired on November 01, 2020; Mr. BING-HSIUNG SU, former President of Abrasives B.U., retired on February 7, 2022; Mr. SHAO-CHUNG HU, former Director of Abrasives B.U. was promoted to Vice President of the Abrasives B. U. on January 1, 2022.

VI. Status of handling of new shares with restricted employee rights

No such situation.

VII. Status of issuance of new shares for M&A or transfer of shares of other companies

No such situation.

VIII. Implementation status of capital utilization plan

(I) Plan content

As of the quarter before the publication date of the annual report, the previous issuances or private placements of securities which have not been completed or have been completed within the last three years, and the planned benefits of which have not yet manifested: No such situation.

(II) Implementation Status

Not applicable.

V. | Operation Overview

I. Business Content

(I) Business Scope

1. Main businesses

- A. Metal Wire Products Manufacturing.
- B. Other Metal Products Manufacturing.
- C. Heat Treatment.
- D. Surface Treatments.
- E. Mold and Die Manufacturing.
- F. Mechanical Equipment Manufacturing.
- G. Electronics Components Manufacturing.
- H. Ceramic and Ceramic Products Manufacturing.
- I. Glass and Glass Products Manufacturing.
- J. Optical Instruments Manufacturing.
- K. Growing of Crops.
- L. Agricultural Products Preparations.
- M. Cutting, Shaping and Finishing of Stone.

N. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Total Sales of Main Products

Unit: %

Main product	Total Sales (note)	
	2022	2023
Grinding wheels and blades	23.30%	20.67%
CMP diamond disk	26.71%	25.94%
reclaimed wafer	48.18%	51.86%
Other	1.81%	1.53%
Total	100.00%	100.00%

3. The Company's Current Products (Services) items

The company's main products items at the moment are grinding tools such as grinding wheels, CMP diamond disks and reclaimed wafers. The types, materials, characteristics, importance and uses of various grinding and cutting tools and reclaimed wafers are summarized as follows:

Type	Materials, characteristics and importance
Traditional Products Porcelain Grinding Wheels Resin Wheels	The main abrasives are alumina and silicon carbide, with several preparation methods available depending on the bonding agent. The main production method is mixing the abrasive and the bonding agent, and then forming, firing and hardening. The particle size, bonding degree, and structure of the abrasive are adjusted according to each product's specifications. In the grinding process, the appropriate grinding wheel is selected according to the characteristics of the workpiece and the processing conditions so as to obtain a good grinding and cutting effect.

Type	Materials, characteristics and importance
BD Grinding Wheels	The main abrasives are diamond and cubic boron nitride (cBN). cBN is mainly used in the grinding of hard and difficult-to-machine steel materials, such as tool steel, alloy steel, casting and superalloys, but not the grinding operations of super-hard alloy of iron-based metals, ceramics, glass, stone, silicon wafer, sapphire, etc., which should be processed with diamond abrasive grains. Because diamond has many extremely superior characteristics, the application of this material will lead the development of future technology.
Diamond Products Diamond Dresser (Diamond Disc or Pad Conditioner)	As semiconductor manufacturing becomes increasingly layered and miniaturized, the CMP (chemical mechanical grinding) process is currently the most widely used overall planarization technology in the IC industry for line widths below 0.25 microns. In the CMP process, the holes on the surface of the grinding pad will be filled with impurities after a period of use, which deteriorates the grinding characteristics and reduces the wafer removal rate. In order to solve this problem, it is necessary to condition the grinding pad with a diamond conditioner in a timely manner to make the holes appear again on the grinding pad and restore the polishing function of the grinding pad. Today's pad conditioners usually have fixed diamond grains welded on the surface of the metal platform for conditioning. In the field of CMP, the diamond disc conditioner is the key to the stability, cost and wafer removal rate (output) of the entire process.
Wafer Products Reclaimed Silicon Wafers	Reclaimed wafers are not regenerated from defective products during the production of ICs, but monitor wafers and dummy wafers in the IC manufacturing process. The purpose is to reduce the cost of new test wafers and dummy wafers.

4. New products (services) to be developed

- A. Advanced CMP diamond disks for the 2nm semiconductor manufacturing process.
- B. Reclaimed wafers of 19nm specifications.
- C. Processing for third generation semiconductor materials.
- D. Grinding wheel for semi-conductor wafer (Si, SiC, etc.)
- E. Grinding wheel for advanced packaging
- F. Grinding wheels for flat glass
- G. High sharpness ceramic grinding wheels

5. R&D Strategy and Goal

R&D strategy: exercising the most effective resilient approach to build technology and mass production, based on the grinding, in order to solve problems and create the leading edge.

Mode of management: Helping the improvement on the contents and quality of work based on planning and technology, and boost the R&D momentum from basic research to improvement of products, and then innovation and development ultimately. Meanwhile, speed up the growth through industry-academia cooperation, resilient development of fields, and investment & MA.

R&D targets:

- (1) Become a world-class grinding technology development center.
- (2) Establish a service platform for intelligent manufacturing and solutions.
- (3) Create new across-field industrial chains and ecosystems.
- (4) Extend product life cycle through process improvement and technology upgrade.

- (5) Expand and supplement technology spectrum and basic research.
- (6) Establish mass production technology for next-generation products.
- (7) Strengthen the application and protection mechanisms of intellectual property rights to protect profits.

(II) Industry Overview

1. Industry Status and Development

With the relocation of low-end industries and the upgrading of domestic precision industries, the grinding industry faces a technology-centered competition of elimination. Customers with the demand for products that small factories rely on for their livelihoods have shifted to lower-cost countries and set up factories there due to the high production costs in Taiwan; the customers who have their roots in Taiwan, due to their own technological upgrades, will have an increasing demand for the manufacturing and after-sales service capabilities of grinding tools. Therefore, due to the operation of market functions, the industry will develop towards a trend of high technical level, sufficient process capability and diversified product customization.

As for the company's CMP diamond disks, a number of new products have successively passed customer certifications and entered mass production. The demand for semiconductor customers is booming; in addition to the continuous increase in the market share of the advanced process market, it has achieved a leading position in the 3nm market.

Due to the particularity of Taiwan's position and its key position in the industrial chain, the semiconductor industry has become a target to win over by all countries in the geopolitical conflict. Its overall industrial chain, led by the leader TSMC, is continuously leading advanced manufacturing processes, and the demand for its mature processes is in short supply. Therefore, the demand for reclaimed wafers has also continued to rise in response.

2. Relevance of the industry's upper, middle and lower reaches

(1) Supply of Upstream Raw Materials

The company's main products are grinding and cutting tools, and the main raw materials are abrasives. Abrasives are high-hardness substances used for grinding, polishing, and other material removal processes. It can be divided into traditional abrasives. (mainly alumina and silicon carbide) and super abrasives (diamond and cubic boron nitride). As there are no other alternative materials at the moment, the abrasive market is only affected by the economy and the development of downstream industries, and there is no product life cycle problem. However, due to the limited global suppliers of traditional abrasives and diamond abrasives and the requirement for the quality of raw materials, the company mostly depends on imports for the demand in this area. The main sources of imports for traditional abrasives are IFM, Niche, 3M and Saint Gobain; diamond abrasives mainly come from Element Six, HYPERION, ILJIN and Lands. Among the recycled wafer products, the raw materials for test wafers mainly come from the top five suppliers (SUMCO, SHIN-ETSU, GLOBAL WAFER, SILTRONIC, SK SILTRON).

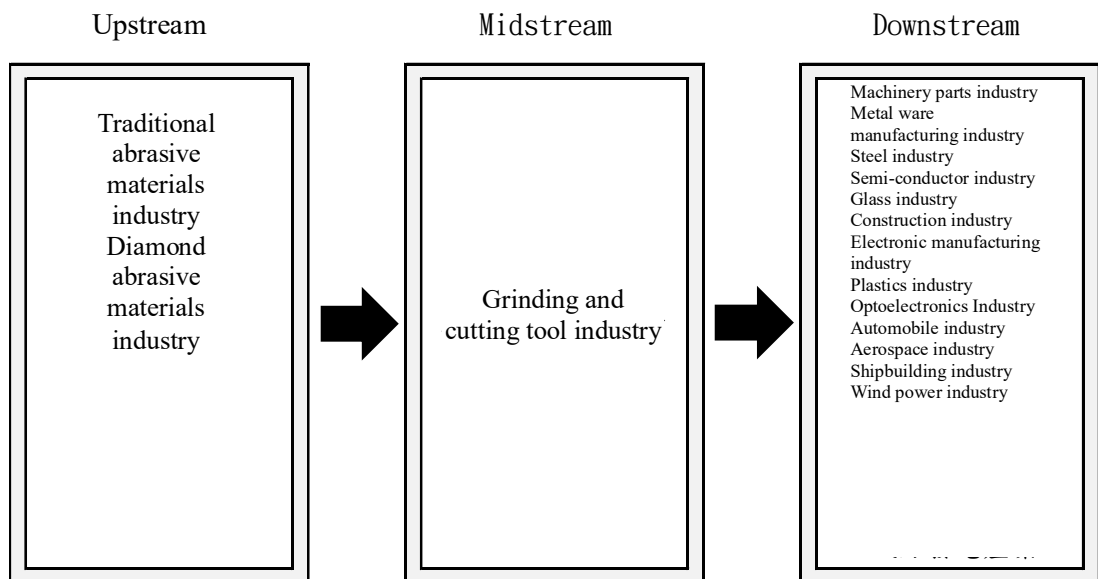
(2) Demand for Downstream Products

From the upstream, midstream, and downstream industries where the company is located, the applications of grinding and cutting tools cover the industries of mechanical parts, hardware manufacturing, steel, semiconductor, glass, construction, electronics, plastics, optoelectronics, automobile and motorcycle, aerospace, shipbuilding, wind power and other downstream industries, which are necessary processing tools in the manufacturing process, and the industry relevance is extremely high; however, because of its wide market coverage and even distribution in various industries, they are less susceptible to the ups and downs of a single industry.

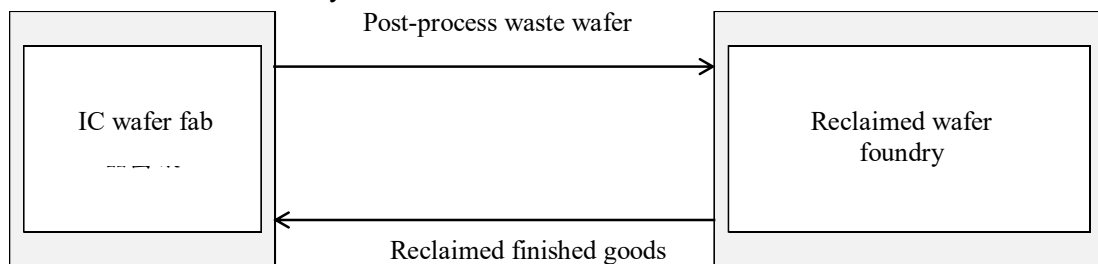
CMP diamond disks are consumables in the wafer manufacturing process. They are used in the chemical mechanical grinding (CMP) process in semiconductor manufacturing, covering the manufacturing of IC/silicon wafers, DRAM and LED diodes and third generation semiconductor (GaN, Sic) in the global semiconductor industry. Currently, the global supply is limited and it is an oligopoly market.

The downstream customers of reclaimed wafers cover IDM, foundry and memory manufacturing; the customers come from all over the world and have extensive distribution. The company is already an industry service company that serves the entire world. With the semiconductor customers continuing to expand and the demand growing, the demand for reclaimed wafers is rising.

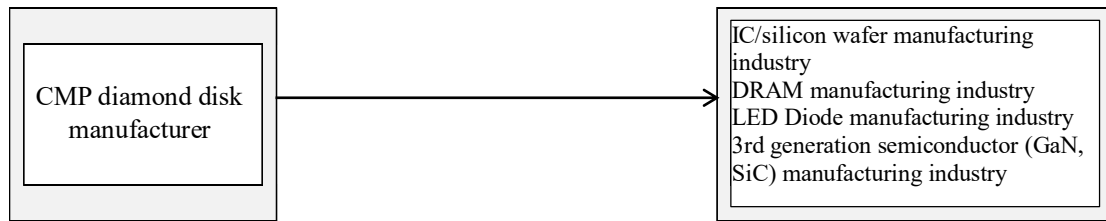
Conventional grinding wheel industry chain:



Reclaimed wafer industry chain:



CMP diamond disk industry chain:



3. Product Development Trends and Competition

The development trend of abrasive products is that the process capability needs to provide products suitable for the processing of customer tables or workpieces and improve the grinding or cutting efficiency. For example, the development trend of consumer electronic products is "light, thin, short, and small," and the grinding tools used in their grinding processing must match accordingly. Because grinding tools are not final consumer products but are consumables in the processing, so the development trend is to make products that meet customer needs.

CMP diamond disks are necessary and critical consumable products in the semiconductor wafer planarization process. As wafer manufacturing progresses from 8 inches to 12 inches and from micrometers to nanometers, the demand for planarization in wafer manufacturing is increasing. For CMP diamond disks, in addition to their quality which has been continuously improving with the progress of semiconductors, they have further transformed into the role of providing customers with a total solution of the flattening process, assisting customers in solving flattening problems, establishing closer partnerships, and continuing to advance to advanced manufacturing processes below 3nm.

Regarding the processing capability and product economic efficiency, the production of reclaimed wafers with 0.1 micron for 8-inch wafers is the limit of the process. The existing wafer material quality is used for the 8-inch process to make the defect control in the raw material crystal pulling process or the subsequent processing quality meet the requirements. For 12-inch reclaimed wafers, the quality of the original chips will be directly reflected in the yield of the recycled products. Therefore, the quality of 12-inch chips will be the focus of competition among chip suppliers. The current chip quality requirement has reached 19nm and will continue to move towards 17nm.

(III) Technological capability and R&D

1. R&D expenses invested in the most recent year and until the date of publication of the annual report

Unit: Thousand NT\$

Item \ Year	2023	March 31, 2024
R&D expenses (A)	156,505	39,798
Sales revenue, net (B)	6,380,904	1,595,178
Percentage of R&D expenses (A)/(B)	2.45%	2.49%

2. Successfully Developed Technologies or Products in the Most Recent Year and as of the Date of Publication of the Annual Report

- (1) CMP diamond disk for 3nm semiconductor process.
- (2) Reclaimed wafers of 19nm specifications.

- (3) High-number thinning wheels for silicon wafers.
- (4) High-number thinning wheels for silicon wafers.
- (5) Silicon Carbide Wafer Grinding Chuck.

(IV) Long-term and Short-term Business Development Plans

1. Direction of Short-term Plan Development

(1) Marketing Strategy

A. Grinding Wheel

Stabilize the existing grinding wheel market, actively develop new customers, expand the market share, and gain customers' trust with stable quality, on-time delivery, and good after-sales service.

B. CMP diamond disk

- (a) Reduce production costs based on existing technology and through product integration and improvement at this stage, and expand the scale of cooperation with existing customers.
- (b) By promoting new products such as Pyradia, CVD-W and Metal Free, expand the 12-inch wafer and advanced process market and increase market share.
- (c) Actively strengthen the training of overseas service personnel and strategic alliances with related manufacturers to expand overseas sales channels with a more competitive attitude.

C. reclaimed wafer

In addition to continuing to strengthen and improve services to existing Taiwanese customers, the company is actively obtaining certification with overseas semiconductor IDM factories, foundries or DRAM factories to expand the overseas market share.

(2) Production Strategy

- A. Continue to invest in the research and improvement of production technology, and develop new products and new processes in response to market demand to improve market competitiveness.
- B. Strengthen product design and process management, and implement a quality control system to improve product quality.

(3) Product Development Direction

- A. Deploy complete product lines and product supply capabilities, and develop new materials and technologies.
- B. Master the core technology and mass production capacity of products, and expand the depth and breadth of product sales.
- C. Use existing production equipment to improve product quality and produce high value-added products to enhance profitability.

(4) Operating Scale

To become a leading brand in the grinding tool industry, the company continues to develop related technologies and products through investments in funds and talents to expand the company's operating scale in a timely manner, in

order to strengthen the position as a leading manufacturer in the grinding tool industry.

(5) Financial Cooperation

Strengthen comprehensive financial planning and cost control to reduce operational risks and improve competitiveness.

2. Long-term Development Strategy

(1) Marketing Strategy

A. Grinding Wheel

Continue to develop long-term cooperative relations with customers and agents, and penetrate into other international markets, develop direct large-scale customers, and actively grasp vast business opportunities.

B. CMP diamond disk

Provide total differentiated solutions according to the individual needs of customers, and combine the downstream application requirements of the CMP market and the upstream machine specifications to develop new products and build a sales system that shares resources and profits.

C. reclaimed wafer

Invest in the development of next-generation processes in a timely manner in line with customers' product line width reduction and process requirements. Actively apply core technology to high value-added hard and brittle material products (e.g. Group III semiconductor materials) in other semiconductor industries to increase product breadth and scale of operation; on the other hand, accelerate capacity expansion and quality improvement in response to the increasing demand for 12-inch wafer regeneration from domestic and foreign customers.

Our new fab in Chu-nan has built a complete 12" wafer production capacity from slicing, rinsing and inspection. We sell 12" test wafers to our customers, providing them with a backup solution to purchase test wafers so that they can have an additional choice when there is a global material shortage.

(2) Production Strategy

Continuously improve process technology, shorten the production cycle, improve product quality and inventory turnover rate, achieve the goal of reducing production costs, and actively expand the deployment of overseas production bases.

(3) Product Development Direction

Strengthen the R&D lineup, continue to expand the leading position and advantages in diamond-related applications, cooperate with customers and manufacturers to develop new product technologies, and develop marketable and high value-added products in different application fields in the hope to provide customers with a total solution for cutting, grinding and polishing and create value jointly with customers.

(4) Operating Scale

Strengthen the system integration of R&D, production, information, procurement and marketing, expand the production line in line with the

development of new products, and develop product diversification and business diversification.

(5) Financial Cooperation

Use the money market or capital market in due course to raise funds for future operations.

II. Market, Production and Sales Overview

(I) Market Analysis

1. Sales (Supply) Regions of Major Products (Services)

Unit: Thousand NT\$

Region	Year	2021		2022		2023	
		Amount	%	Amount	%	Amount	%
Domestic sales		3,517,402	58.35	3,940,533	57.05	3,658,038	57.33
Export sales	USA	430,682	7.14	648,159	9.38	680,604	10.67
	Singapore	471,512	7.82	640,176	9.27	549,740	8.62
	China	637,072	10.57	677,534	9.81	517,490	8.11
	Other	971,170	16.12	1,001,217	14.49	975,032	15.27
	Total with foreign	2,510,436	41.65	2,967,086	42.95	2,722,866	42.67
Total		6,027,838	100	6,907,619	100	6,380,904	100

2. Market Share

(1) Grinding Wheel

The company's traditional porcelain grinding wheels and resin grinding wheels have a combined market share of approximately 35%, and diamond-related tools have a market share of approximately 15%.

(2) CMP diamond disk

According to the statistical analysis of the American Dow Company, if the market share of CMP diamond disks is converted according to the sales amount of each manufacturer, the company's global market share in 2022 is approximately 32%.

(3) reclaimed wafer

The company's domestic market share of reclaimed wafers has exceeded 30%, with domestic revenue accounting for 50% and foreign customers 50%.

3. Future Supply and Demand and Growth of the Market

(1) Possible Supply Situation in the Future

Grinding tools are consumables used in the machining process and are not final consumer products. The supply of such products depends on that the manufacturing capability that can provide products suitable for customer machines or workpiece processing and improve grinding and cutting efficiency. In addition, the manufacturing of grinding tools involves many technologies and falls under a medium to a high level of labor-intensive industry. In addition to the quality of the product itself, the technical guidance services provided by the seller can also improve the processing efficiency of the manufacturer and the added value of the product. In the future, with the structural changes from the overall industrial upgrading in Taiwan, suppliers that can support technical services will be able to enhance the sales capabilities of their products. Given the current

situation where large and small manufacturers compete together, the phenomenon of growth and decline will gradually occur.

(2) Possible Future Demand

A. Traditional Grinding Products

In terms of market demand, the downstream application industries of traditional grinding tools are broad, but mainly in the machine tool industry, the steel industry, the automobile industry and the hardware manufacturing industry, which have the highest proportions. In addition, with the current vigorous development of the global semiconductor industry, the demand for diamond grinding wheel products used in this industry's grinding will also continue to grow.

B. CMP diamond disk

The main application industry for CMP diamond disks is the semiconductor chemical mechanical grinding market. One of the grinding requirements of CMP (chemical mechanical grinding) is high productivity, which means that the output of wafers per unit time must meet certain criteria. In order to achieve the demand for wafer processing yield and the stability of quality, the grinding pad must be trimmed with a diamond conditioner during the process. As the grinding time progresses during the process, the by-products and reaction products of the grinding will be deposited in the polishing process. The fine holes or grooves on the pad will eventually block the holes. The grinding liquid cannot be evenly distributed on the grinding pad, which makes its grinding characteristics worse, resulting in the so-called glazing. Therefore, a diamond conditioner is required for conditioning to maintain the sustainable stability of the grinding ability of the polishing pad. According to foreign market research reports, the diamond disc conditioner market grows at a rate ranging from 15% to 20% every year; the future requirements for diamond conditioners in the chemical mechanical grinding process must meet the following requirements:

(a) Stable and fast wafer removal rate

The diamond disc conditioner needs to be able to properly condition the grinding pad and then regenerate the grinding pad function so that the grinding pad can provide a stable and fast wafer removal rate.

(b) Extending the life of the grinding pad

The grinding pad is a consumable item during the conditioning process. Therefore, based on cost considerations, over-conditioning the grinding pad by the diamond conditioner should be avoided to extend its life.

(c) Ensuring that the diamond does not fall off

The diamond attached to the diamond disc conditioner should be stable and not fall off to avoid scratching the wafer.

C. Reclaimed Wafer:

The monthly domestic demand for 12-inch reclaimed silicon wafers has continued to increase due to the continuous increase of production by customers, and the volume has reached approximately 800,000 wafers at present. However, on the overall supply of reclaimed wafers in Taiwan, except for its expansion of the new Zhunan plant in 2020, other suppliers have only increased a small part of their production capacity by removing bottlenecks and

have not expanded their production significantly. Therefore, with the increase in overall customer demand, the demand for high-end reclaimed wafers will become increasingly difficult to meet. In addition to developing foreign customers, the company pays close attention to changes in domestic customer needs.

The COVID-19 pandemic has been affecting the transportation costs since 2020, while the exchange rate appreciation has also had a significant impact on the profitability of the reclaimed services. The Company has continued to monitor the impact and changes, and has made timely adjustments in response to these impacts; therefore, the overall demand and operations of the reclaimed wafers have continued to perform well.

4. Competitive Niche

(1) Complete Marketing Channels and Customer Service

Since grinding and cutting tools are manufactured in accordance with the requirements of downstream industry customers for workpiece accuracy, they are consumable materials and are not directly sold to end consumers. As far as the grinding market is concerned, Taiwan's domestic market scale is limited and needs to rely on the international market. Therefore, the deployment of marketing channels is the key to the development of the industry. With long-term efforts, the company has established a good model of interaction with domestic and foreign customers, such as TSMC, UMC, Powerchip, GF, Micron and other internationally renowned manufacturers and potential customers. It has actively expanded the export market through overseas agents and strategic alliances.

(2) Integrated Technical Support and After-sales Service

Under the professional division of labor, the value that the company can provide to downstream players is no longer limited to products and prices. Still, it extends to logistical support, which has become part of the overall value chain of downstream customers to help downstream manufacturers to provide application technical support at any time, thus effectively enhancing service value and efficiency to improve the satisfaction of the final market.

(3) Innovation and Improvement of Technical Capabilities

Due to the rapid development of the grinding market, the application of various new processes and the promotion of new products significantly impact the industry. With the rapid changes in downstream market demand, the company not only fully grasps the future movement of the market but continues to use new technologies in the manufacturing process and products and closely communicate and cooperate with customers in order to grasp the development trends of industrial technology and establish a channel for collecting market information, so as to facilitate the development of downstream markets and related products.

5. Advantages and Disadvantages of Development Prospects and Countermeasures

(1) Favorable Factors

A. Grinding Wheel Products

1. The product line is complete, the customer base is extensive, and the industry risk is relatively reduced.

Grinding wheel products have a wide range of applications, including machinery, hardware, steel, molds, automobiles, glass, aerospace and

other industries that need to use this product. The company has independent marketing and manufacturing capabilities and can accept orders with special specifications from customers, making the product line that can be provided quite complete. The customer base is wide and covers various industries; therefore, the industry climate risk is relatively small.

2. Stable Customer Relationship

Since its establishment, the company has been adhering to the business philosophy of "Good together: Good to You, Good to Me, Good to All" regardless of the size of customers, to assist customers in solving the problems they face in manufacturing and processing, and provide them with what they need in a timely manner in the course of the upgrading of the customer's manufacturing process; therefore, the company has maintained a long-term and good cooperative relationship with customers. The company has a stable relationship with downstream customers and cannot be easily replaced by other manufacturers.

3. Regional Advantage

The company's location in the mainland is convenient for downstream manufacturers to replace old grinding wheels with new ones and save a lot of costs for manufacturers than purchasing grinding wheels abroad.

4. Development and Introduction of New Products and New Processes

With the development of new abrasives and new binders, the company has continued to develop many new products in recent years in response to the advancement of grinding and polishing technologies. The mass production of new products will help to decentralize the market and expand market share. In addition, in order to improve product quality and level, the company is introducing new process technology to create high value-added products and achieve the company's operating goals.

B. CMP diamond disk

1. Located in Taiwan Which Is the Center of Semiconductors

Taiwan is the center of global semiconductors. Therefore, domestic CMP diamond disk manufacturers have an excellent geographical advantage in the interaction with downstream semiconductor manufacturers. In addition to the supply of CMP diamond disk products, through cooperation between its R&D and production departments, the company has further evolved into a supplier of information, inventory management and other spare parts to provide customers with total solutions, thereby enhancing customers' willingness to cooperate in the long-term and the company's competitiveness in the market. In addition, in overseas business development, the rich Taiwanese technical experience can provide customers with the most suitable products and solutions.

2. Steady Growth of Major Semiconductor Manufacturers

The global semi-conductor market is currently in the stage of destocking, but the main wafer and memory manufacturers and foundries such as TSMC, UMC, VIS, SMIC, GlobalFoundries, and Intel (Intel) continue to increase capital expenditure and continue to expand future

production capacity. In addition, technological upgrading is the main driving force for the growth of the semiconductor capital market. The demand for 5 nanometer and higher-end process equipment has continued to increase, which is also the main reason for the huge capital expenditure of wafer foundry. Chemical mechanical grinding (CMP) is currently the only method to achieve global planarization in the world's IC industry with a line width of less than 0.25 microns. It is also one of the fast-growing technologies in the semiconductor equipment market in recent years. The CMP process, in addition to being widely used in the surface polishing of silicon wafers in the front-end process of silicon wafers, has produced various applications based on the type of IC, including the formation of components, the insulating layer between the component and the wiring layer. As the line width continues to shrink, the CMP diamond disks manufactured by the company are closely related and important to this technology which has development potential, so the room for market growth is quite large.

3. Product Quality and Goodwill Establishment

The CMP diamond disk is a necessary and critical consumable product in the semiconductor manufacturing process. Its diamond arrangement, height and the curved surface of the circular metal plate are all variable factors that affect the process results and are among the many process parameters. Since the semiconductor manufacturing process is complex and the gross profit rate directly affects the price competitiveness of wafers, the stability of the process and the yield rate of wafers are prioritized by general wafer foundries. However, due to its special patentability, the CMP diamond disks of Kinik Company can not only ensure that the diamonds do not fall off during the process, but also save the cost of grinding pads and grinding fluids during the process, and improve the removal rate and yield of wafers. Therefore, the quality of the company's CMP diamond disks has been widely recognized by downstream semiconductor manufacturers.

C. reclaimed wafer

1. Market Demand Changes

- (1) The overall demand for Taiwan's reclaimed wafer demand for semiconductors, due to the expansion and acceleration of customers' production in recent years, has continued to rise, and the demand for high-end reclaimed wafers has become even tighter. After its expansion of the new plant in Zhunan, the company has been able to provide reclaimed wafers required for 3/5 nanometer process. It is in a leading position in the industry.
- (2) Because 8-inch wafers are less competitive in products with fine line widths, the demand for wafer reclamation services has no longer increased. Therefore, the company is actively expanding overseas markets; on the other hand, in conjunction with the business transformation of customers, many third generation semiconductor material applications have emerged, accompanied by new processing services and new product requirements. The company uses existing

production line capabilities to respond to new customer needs and seize the industry opportunity for transformation.

2. Products Already Recognized by Customers

The company's establishment of a complete WIP tracking and quality management system, regardless of the quality of technology and service, has been improved, and the performance has been highly recognized by customers.

(2) Disadvantages and Countermeasures

A. Grinding Wheel Products

1. Imports Required for Most of the Main Raw Materials

The main raw materials of traditional abrasives need to be imported, and the imports concentrate in Europe and mainland China. There is no domestic production, and the operation of foreign procurement takes a long time. Therefore, the safety stock of raw materials cannot be easily reduced. Besides, the purchases are mostly priced in US dollars, so the cost of the raw material is susceptible to changes in exchange rates.

Countermeasures:

Stabilize the cooperative relationship with existing suppliers and actively look for other suppliers with competitive prices to increase the source of supply; in addition, the marketing unit shall firmly control the sales forecast to schedule the production plan in advance and properly manage the raw material inventory circumstances, so that the purchase speed of raw materials will not affect sales.

2. Highly Replaceable Product Technology

The industrial technology of the grinding industry is changing rapidly, and the replacement of new materials is fast. In particular, grinding wheel products are often replaced in a generation with the advent of new products; these are all tests to product and technology development capabilities.

Countermeasures:

Grasp the trend of technology and its application to develop new materials and new product lines, strengthen the collection of market intelligence, and keeping an eye on the trends of suppliers and customers.

3. Higher Inventory Volume

As grinding and cutting tool manufacturers respond to the needs of downstream manufacturers of different natures, their production method is mostly order-based production. However, based on the consideration of economies of scale and timely supply, and supplemented by planned production, the company usually maintains a higher inventory volume.

Countermeasures:

Strengthen the information control of product supply, purchase and inventory to improve inventory turnover and reduce the risk of sluggish inventory.

B. CMP diamond disk

1. Intense Market Competition

In order to gain market share, South Korean competitors launched a low-price attack which results in fierce market price competition, and even

major U.S. manufacturers that had rarely cut prices have joined the battle.

Countermeasures:

In response to the price strategy of competitors' products, provide improved products on the existing process to extend the life of CMP diamond disks to help customers save overall costs; on the other hand, actively gain customers' trust in the company's diamond discs in advanced manufacturing processes, in order to raise the entry barrier for competitors and increase the competitive advantage of the company's CMP diamond disks. At the same time, the long-term cooperation model established by the company with CMP application manufacturers can enhance product application efficiency and effectively provide customers with total solution for their manufacturing processes.

C. reclaimed wafer

1. Specification Requirements Are Becoming Stricter

The 12-inch product specification has reached 19nm and will further shrink to 17nm in the future.

Countermeasures:

Actively improve process capabilities and grades to respond to 19nm and future 17nm process requirements.

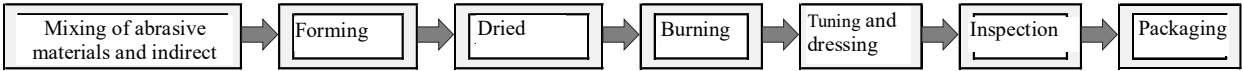
(II) Important Applications and Production Process of Main Products

1. Important Applications of Main Products

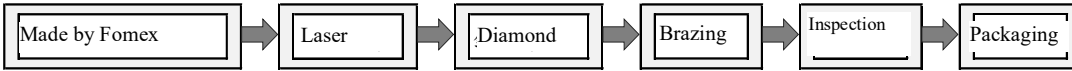
Product items	Main Applications	Application Industry
Grinding Wheel	It is the mother tool of machine tools used for grinding, removing defects and cutting machine parts. It can be widely used for all kinds of processing, grinding and precision polishing according to the different abrasives, bonding agents and manufacturing methods.	Machinery parts industry, hardware manufacturing industry, steel industry, semiconductor industry, glass industry, construction industry, electronics manufacturing industry, plastic industry, photoelectric industry, automobile and motorcycle industry, aerospace industry, shipbuilding industry, wind power industry, etc.
CMP diamond disk	It is used in the CMP process of the semiconductor industry; the unique patented manufacturing method can ensure that the diamonds do not fall off and do not scratch the wafer.	Foundry, DRAM manufacturing, hard disk manufacturing, LED, third generation semiconductor (GaN, SiC) and others.
reclaimed wafer	Used in semiconductor manufacturing processes or products.	IDM, wafer foundries, DRAM factories and equipment vendors.

2. Production Process

Grinding Wheel



CMP diamond disk



reclaimed wafer



(III) Supply status of main raw materials

Name of main raw materials	Main sources of supply	Supply status
Traditional abrasive materials	IFM	Good
	Niche	Good
	3M	Good
	Saint Gobain	Good
Diamond abrasive material PCD blank	Element Six	Good
	HYPERION	Good
	Lands	Good
	ILJIN	Good

(IV) Name List of Main Trade Creditors/Debtors

1. For either fiscal year of the two most recent fiscal years, the suppliers with the total purchase of 10% or more.

Unit: Thousand NTS

Item	2022				2023				As of the previous quarter in 2024			
	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases for the year (%)	Relationship with the issuer	Name	Amount	Purchases as of the previous quarter of the year Net ratio (%)	Relationship with the issuer
1	Company E	157,683	8.02	None	Company E	192,718	10.62	None	Company G	52,068	10.30	None
	Other	1,806,463	91.98	—	Other	1,622,299	89.38	—	Other	453,441	89.70	—
	Net purchase amount	1,964,046		—	Net purchase amount	1,815,017		—	Net purchase amount	505,509		—

2. For either fiscal year of the two most recent fiscal years, the customers with the total sale of 10% or more.

Unit: Thousand NTS

Item	2022				2023				As of the previous quarter in 2024			
	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	As a percentage of net sales for the year (%)	Relationship with the issuer	Name	Amount	As a percentage to net sales as of the previous quarter of the year (%)	Relationship with the issuer
1	Company A	1,893,610	27.41	None	Company A	1,923,276	30.14%	None	Company A	486,889	30.52%	None
	Other	5,014,009	72.59	—	Other	4,457,628	69.86%	—	Other	1,108,289	69.48%	—
	Net sales amount	6,907,619		—	Net sales amount	6,380,904		—	Net sales amount	1,595,178		—

(V) Output volume/value in the most recent two years

Unit: Thousand PCS; NT\$ Thousand

Year Production volume & value Main Products (or department type)	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Traditional Products	—	35,604	1,066,733	—	32,286	987,856
CMP diamond disk	—	401	1,027,064	—	325	912,905
reclaimed wafer	—	5,197	2,345,892	—	5,364	2,470,880
Other	—	106	111,699	—	68	95,098
Total	—	41,308	4,551,388	—	38,043	4,466,739

(VI) Sales volume/value in the most recent two years

Unit: Thousand PCS; NT\$ Thousand

Year Sales Volume & Value Main Products (or department type)	2022				2023			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Traditional Products	10,120	960,419	31,745	648,711	7,622	734,624	28,251	584,397
CMP diamond disk	221	1,327,619	104	517,447	203	1,184,278	95	471,140
reclaimed wafer	2,746	1,574,615	2,252	1,753,165	2,854	1,677,572	2,152	1,631,373
Other		77,880		47,763		61,564		35,956
Total	13,087	3,940,533	34,101	2,967,086	10,679	3,658,038	30,498	2,722,866

III. Number of Employees, Average Seniority, Average Age and Qualification Distribution and Percentage for the Past Two Years Until the Publication Date of the Annual Report and Ratios thereof

Year		2022	2023	April 30, 2024
Number of employees	Direct labor	1,017 people	1,003 people	985 people
	Indirect labor	754 people	743 people	743 people
	Total	1,771 people	1,746 people	1,728 people
Average age		40.24 years of age	40.53 years of age	41.24 years of age
Average years of service		11.40 years	12.08 years	12.34 years
Distribution of academic qualifications	PhD	0.40%	0.34%	0.35%
	Master's Degree	7.74%	7.96%	8.10%
	Bachelor's Degree	49.69%	49.94%	50.17%
	High School	34.60%	34.25%	34.09%
	Below High School	7.57%	7.51%	7.29%

IV. Expenditure on Environmental Protection

- (I) The total amount for losses (including compensation) and fines suffered by the Company due to environmental pollution in the last year and as of the date of publication of the annual report, future countermeasures (including improvement measures) and possible expenditures (including the anticipated loss, disposition and compensation amounts incurred for not adopting the response measures; and amounts cannot be reasonably estimated, describe why):

ISO 14001, ISO 45001, and CNS 45001 have been implemented and certified for all of the Company's factories (Yingge/Hsinchu/Zhubei/Shulin/Hsinchu Science Park); greenhouse gas (GHG) inventory and external verification (ISO 14064-1) has been completed for all factories in 2022; Zhubei Factory has implemented the energy management system (ISO 50001) in 2022 and passed external verification with Shulin Factory; completed the External Verification Statement for the Carbon Footprint of the three product types, namely, the 12-inch reclaimed wafer services, traditional diamond discs, and ceramic bonding grinding wheels in 2022. The

Company continued to have SGS follow up the environmental performance, safety & health and energy indicators set by various factory premises periodically. So far, no major non-conformance was found.

On September 21, 2022, Yingge Plant was fined NT\$100,000 for failing to report to the local Environmental Protection Bureau immediately due to air pollution equipment downtime on January 7, 2023. On September 5, 2023, Shulin Plant was fined NT\$105,000 on November 22, 2023 for failing to meet discharge standards. Upon review, the Company has adopted internal personnel training and irregular audits by supervisors to prevent recurrence.

V. Labor-management Relations

(I) The company's various employee welfare measures, advanced education, training, and retirement systems and their implementation status, as well as the agreements between labor and management and various employee rights protection measures

1. Employee Welfare Measures

The company has established the Employees Welfare Committee in accordance with the law on May 8, 1973, and the committee members are elected by both employers and employees to jointly perform employee welfare-related businesses. In addition, relevant management regulations and operating standards are handled in accordance with the provisions of the Labor Standards Act. The company's employee welfare measures are diversified, such as training grants, wedding, funeral and celebration subsidies, new year and festival gifts, birthday gifts, and group insurance for employees and family members. In response to the staff's training needs, the company offers various training courses for new recruits and on professional skills, management skills, and self-enlightenment to provide employees with complete courses of professional skills development, self-growth, and enlightenment.

2. Retirement System and Implementation

In accordance with the relevant provisions of the Labor Standards Act, employee retirement reserves are allocated at 6% of the total monthly salary and deposited at the Bank of Taiwan in a dedicated account. The payment of employee pensions is also handled in accordance with the provisions of the Labor Standards Act. Starting from July 1, 2005, employees who choose the pension system applicable under the Labor Pension Act will have 6% of their monthly salary allocated to the individual pension account of the Labor Insurance Bureau. According to the provisions of the Labor Standards Act, the balance of the dedicated account of the Workers' Retirement Reserve Fund shall be estimated before the end of each year. If the balance is insufficient to pay in the next year to the workers who meet the requirement in Article 53 or subparagraph 1, paragraph 1, Article 54, then based on the amount of pension calculated in accordance with the preceding article, the difference shall be allocated before the end of March of the following year. The figure shall be submitted to the Supervisory Committee of Workers' Retirement Reserve Fund of the business unit for review.

3. Agreement Between Labor and Management

The rights and obligations of both employers and employees shall be handled in accordance with the various provisions of the company's work rules.

4. Staff Training Status

The company has planned a variety of advanced studies and training courses

for supervisors and employees at all levels and has formulated "Training Measures." The main training courses include pre-employment training, on-the-job training by work level, on-the-job training by function and general skills training; a total of NT\$3,574 thousand was spent on training in 2023.

- (II) Losses suffered due to labor disputes for the most recent year and up to the publication date of the annual report, and disclose the estimated amount and corresponding measures that may occur at present and in the future. If no estimation can be reasonably made, explain the fact of not being able to reasonably make the estimation:

The company has a good labor-management relationship, and there has been no labor dispute and no loss due to labor disputes. In addition, the company's management of employees is very humane, and the possibility of labor disputes and losses in the future is extremely low.

- (III) Code of Employee Conduct and Ethics

All the company's operations and employees' rights and obligations are clearly stipulated in relevant rules and regulations to be abided by, which are placed on the internal website for all employees to view at any time. The relevant regulations and methods of employee conduct or ethics code are listed as follows:

1. Hierarchical Responsibility

Set clear approval authority for each operation in compliance with the development needs of the organization in order to effectively regulate the authority of each rank and ensure the normal operation of the company. Relevant regulations and measures include "Organizational Regulations," "Job Authorization System," and so on.

2. Departmental Duties

According to the functions of the main departments, clearly regulate the duties and organizational functions of each department so as to implement the division of labor of each department and strengthen the company's competitiveness. Relevant regulations and measures include "Business Separation Measures for Division of Responsibilities" and so on.

3. Reward and Punishment Regulations

Based on employees' special contributions and the damage caused to the company, clearly regulate the work discipline and code of conduct of employees to achieve the purpose of encouragement or vigilance. Relevant regulations and measures include "Reward and Punishment Management Measures" and "Employee Relationship Management Measures."

4. Performance Management

Based on employees' work performance, the company regularly conducts performance appraisals every year to serve as a basis for reviewing work efforts and deficiencies. Relevant regulations and measures include "Performance Appraisal Management Measures."

5. Attendance and Business Travel Management

Implement the duty agent system, and establish good discipline to improve the quality of work to clearly regulate the related operations of business travels and leaves. Relevant regulations and measures include "Business Travel Management Measures" and "Attendance Management Measures."

6. Sexual Harassment Prevention Measures and Workplace Illegal Infringement Prevention Measures

In order to provide the company's employees and job seekers with a working and service environment free from sexual harassment and illegal infringement, appropriate preventive, corrective, disciplinary and handling measures are taken to protect the rights and privacy of the parties. Relevant regulations and measures include "Sexual Harassment Prevention Measures and Workplace Illegal Infringements, Appeals and Punishment Measures."

(IV) Work environment and employee safety measures

1. Employee insurance system:

- (A) Labor insurance: The benefits for childbirth, injury and sickness, disability, retirement and death under the Labor Insurance Act.
- (B) National health insurance: Employees and their dependents may receive the medical services under the National Health Insurance Act.
- (C) Employee group insurance: Enrolled in the insurance program at the Company's expenses, covering term life insurance, accidental injury insurance, accidental insurance, hospitalization medical insurance and cancer medical insurance.
- (D) Employee dependent insurance: Enrolled in the insurance program at the employee's expenses, covering accidental insurance for the employee's spouse, and hospitalization medical insurance for the employee's spouse, children and parents.

2. Build the safe workplace:

The Company organizes the personal safety and fire protection drills and health promotion activities, including:

- (A) General safety and health education and training: The instructions to environmental safety and health and use of personal protective gears at factory premises.
- (B) General education and training for hazard: Instructions to the hazardous characteristics and safety and health of chemicals at the factory premises.
- (C) Education and training for dust workplace: Environmental safety and health requirements at dust workplaces.
- (D) Education and training for noisy workplaces: Prevention of noise and use of personal protective gears.
- (E) Education and training for organic solvent workplace: Environmental safety and health requirements at organic solvent workplace.
- (F) Fire protection drill: Announcement of basic knowledge about fire protection, escape and firefighting drills.
- (G) In-service education and training for occupational safety and health: Have related personnel attend the training and workshop organized by contract externally.
- (H) Safety and health education and training for contractors: Train and advise contractors about the safety, health and environment requirements at the factory premises.
- (I) Safety and health education and training for new employees: Related instructions to the safety, health and environment and system controls at the factory premises.
- (J) Education and training for the management: Announcement of responsibility and

duty to be performed by various supervisors, and preventive measures implemented in the workplace (e.g., noise and dust, etc.).

- (K) Announcement of sexual harassment prevention measures and workplace infringement prevention measures
- (L) Announcement of maternal health protection
- (M) Health promotion conference and weight management planning: Announcement of the importance of health diet and fitness, and measures
- (V) Company Business Philosophy

Good together

1. Good to You: Keep improving and enhance quality to meet the grinding needs of customers.
2. Good to Me: Pay attention to shareholder rights and employee welfare, and emphasize humanization and rational management, so as to achieve harmonious and sustainable operation for all employees.
3. Good to All: Give full play to business performance, give back to society, and fulfill corporate social responsibility.

VI. Information Security Management

1. Information security management structure: An information security unit is formed under the Sustainable Development Committee to coordinate and implement the Company's information security policy, advocate information security, and raise employees' information security awareness. It also reports to the CEO and Chairman from time to time on information security implementation result.
2. Information Security Policy:
 - (1) Objectives of Information Security: To establish a secure and reliable operating system to ensure the data, system, equipment and network security for the Company so that the Company's right and interests and the information system in each unit can be well protected.
 - (2) Scope of Information Security:
 - A. Personnel management and information security training.
 - B. Computer system security management.
 - C. Network security management.
 - D. System access control.
 - E. Security management for system development and maintenance.
 - F. Security management for IT assets.
 - G. Security management for physical and environment.
 - H. Management for information system sustainability plan.
 - I. Information security auditing.
3. Specific Measures for Information Security:

In order to implement the effective operation and various information management systems in the Company, maintain the confidentiality, integrity, and

availability of important information systems, ensure information systems and network equipment can be safely maintained and operated to achieve the goal of sustainability, the specific management measures for information security are as follows:

- (1) Authority management: management measures for personnel account, authority and system operation. (e.g. the authority to manage and review personal account and periodic inventory for personnel account authority)
 - (2) Access control: control measures for personnel access to internal and external systems and data transmission. (e.g. internal/external access control measures, and personnel access track records)
 - (3) External threats: internal potential weaknesses , tracking computer viruses, and protection measures. (e.g. host/computer vulnerability detection and update measures, virus prevention, and malware detection)
 - (4) System availability: system availability status and handling measures when services are interrupted. (e.g. monitoring and notification mechanism for system/network availability, contingency measures for service interruption, information backup measures, local/remote backup mechanism, and periodic IT disaster recovery drills)
4. Information security management resources:
- (1) Network hardware equipment: firewall, antivirus for email system, spam filtering, internet behavior analysis.
 - (2) Software system: endpoint security, backup software, VPN authentication, encryption software.
 - (3) Telecom services: use of multiple lines, cloud backup services, dedicated network lines, intrusion prevention services (IPS).
 - (4) Human resources: daily system check, implementation of periodic backup and off-site storage of backup data, IT disaster recovery drill, annual internal audit of the information cycle, CPA's audit.

VII. Important Contracts

None

VI. | Financial Information

I. Most Recent Five Years Concise Balance Sheet and Comprehensive Income Statement

(I) Condensed Balance Sheet - IFRSs

1. Condensed Balance Sheet - IFRSs (for parent company only financial statements)

Unit: Thousand NT\$

Item	Year	Financial information for the most recent five years					As of March 31, 2024
		2023	2022	2021	2020	2019	Financial information (Note 1)
Current assets		3,423,599	3,405,298	3,865,004	2,531,032	2,416,170	
Fund and investment		1,075,816	707,968	400,075	427,710	385,942	
Property, plant and equipment		4,120,937	4,440,273	4,772,109	5,117,144	3,356,170	
Intangible assets		24,874	22,201	26,481	25,889	16,481	
Other assets		813,362	529,533	640,796	876,713	1,276,467	
Total assets		9,458,588	9,105,273	9,704,465	8,978,488	7,451,230	
Current liabilities	Prior to distribution	2,177,675	1,908,818	2,430,476	1,240,243	1,612,927	
	After distribution	2,757,757	2,485,057	2,830,756	1,636,356	1,429,627	
Non-current liabilities		1,112,545	1,434,725	2,525,301	3,314,118	1,549,687	
Total liabilities	Prior to distribution	3,290,220	3,343,543	4,955,777	4,554,361	3,162,614	
	After distribution	3,870,302	3,919,782	5,356,057	4,950,474	2,979,314	
Equity attributable to owners of the parent company		-	-	-	-	-	
Share capital		1,449,435	1,437,337	1,426,580	1,410,775	1,410,000	
Capital surplus		1,399,657 (Note 2)	1,289,733	1,195,272	1,078,150	1,265,044	
Retained Earnings	Prior to distribution	3,334,259	3,049,109	2,149,289	1,921,818	1,584,361	
	After distribution	2,971,708 (Note 2)	2,472,870	1,749,009	1,525,705	1,401,061	
Other equities		(14,983)	(14,449)	(22,453)	13,384	29,211	
Treasury stock		0	0	0	0	0	
Non-controlling interest		0	0	0	0	0	
Total	Prior to distribution	6,168,368	5,761,730	4,748,688	4,424,127	4,288,616	
Total amount	After distribution	5,588,286	5,185,491	4,348,408	4,028,014	4,105,316	



Note 1: Where the Company is listed or trades stocks on the TWSE or TPEX prior to the date of publication of the annual report, the Company's most recent financial information audited, certified or reviewed by CPAs, if any, shall be disclosed altogether.

Note 2: The proposed distribution of cash dividends for 2023 is NTD 580,082 thousand (including NTD 362,551 thousand from retained earnings and NTD 217,531 thousand from capital reserve). This proposal was resolved by the Board of Directors on February 27, 2024, and is scheduled to be reported at the shareholders' meeting on June 24, 2024.

2. Condensed Balance Sheet - IFRSs (for consolidated financial statements)

Unit: Thousand NT\$

Item	Year	Financial information for the most recent five years					As of March 31, 2024
		2023	2022	2021	2020	2019	Financial information (Note 1)
Current assets		4,042,103	4,061,727	4,511,367	3,178,483	3,024,195	4,837,125
Fund and investment		705,891	330,637	51,091	69,457	29,214	749,737
Property, plant and equipment		4,239,246	4,559,011	4,883,701	5,248,848	3,513,498	4,184,689
Intangible assets		43,015	44,383	52,609	58,297	55,020	40,470
Other assets		832,698	549,137	662,747	897,763	1,303,481	797,612
Total assets		9,862,953	9,544,895	10,161,515	9,452,848	7,925,408	10,609,633
Current liabilities	Prior to distribution	2,250,720	1,983,240	2,536,729	1,345,291	1,701,500	3,079,519
	After distribution	2,830,802	2,559,479	2,937,009	1,741,404	1,884,800	-
Non-current liabilities		1,139,818	1,470,985	2,574,172	3,371,566	1,618,358	1,366,630
Total liabilities	Prior to distribution	3,390,538	3,454,225	5,110,901	4,716,857	3,319,858	4,446,149
	After distribution	3,970,620	4,030,464	5,511,181	5,112,970	3,503,158	-
Equity attributable to owners of the parent company		6,168,368	5,761,730	4,748,688	4,424,127	4,288,616	5,852,825
Share capital		1,449,435	1,437,337	1,426,580	1,410,775	1,410,000	1,450,805
Capital surplus		1,399,657 (Note 2)	1,289,733	1,195,272	1,078,150	1,265,044	1,200,630
Retained Earnings	Prior to distribution	3,334,259	3,049,109	2,149,289	1,921,818	1,584,361	3,228,398
	After distribution	2,971,708 (Note 2)	2,472,870	1,749,009	1,525,705	1,401,061	0
Other equities		(14,983)	(14,449)	(22,453)	13,384	29,211	(27,008)
Treasury stock		0	0	0	0	0	0
Non-controlling interest		304,047	328,940	301,926	311,864	316,934	310,659
Total	Prior to distribution	6,472,415	6,090,670	5,050,614	4,735,991	4,605,550	6,163,484
	After distribution	5,892,333	5,514,431	4,650,334	4,339,878	4,422,250	-

Note 1: The financial information for the first quarter of 2024 has been audited by the CPAs.

Note 2: The proposed distribution of cash dividends for 2023 is NTD 580,082 thousand (including NTD 362,551 thousand from retained earnings and NTD 217,531 thousand from capital reserve). This proposal was resolved by the Board of Directors on February 27, 2024, and is scheduled to be reported at the shareholders' meeting on June 24, 2024.

(II) Condensed Statement of Comprehensive Income - IFRSs

1. Condensed Statement of Comprehensive Income - IFRSs (for parent company only financial statements)

Unit: Thousand NT\$

Item \ Year	Financial information for the most recent five years					As of March 31, 2024 Financial information (Note 1)
	2023	2022	2021	2020	2019	
Operating revenue	5,919,662	6,407,705	5,469,310	4,634,702	4,279,593	
Operating margin	1,849,132	2,380,225	1,680,132	1,401,204	1,320,788	
Net operating income	974,532	1,359,682	828,591	639,528	653,875	
Non-operating income and expenses	72,307	156,123	(11,205)	2,153	23,514	
Net profit before tax	1,046,839	1,515,805	817,386	641,681	677,389	
Continuing operations						
Net income	-	-	-	-	-	
Net loss from discounting operations	-	-	-	-	-	
Net income (loss)	852,122	1,247,391	676,574	512,338	536,677	
Other comprehensive income recognized for the period	8,733	60,713	(88,827)	(7,408)	(6,849)	
(Net profit after tax)						
Total comprehensive income of the current period	860,855	1,308,104	587,747	504,930	529,828	
Net income attributes to shareholders of the parent	-	-	-	-	-	
Net profit attributable to non-controlling interest	-	-	-	-	-	
Comprehensive income attributed to owners of the parent	-	-	-	-	-	
Comprehensive income attributed to non-controlling interests	-	-	-	-	-	
Earnings per share (EPS)	5.91	8.71	4.78	3.63	3.81	

Note 1: Where the Company is listed or trades stocks on the TWSE or TPEX prior to the date of publication of the annual report, the Company's most recent financial information audited, certified or reviewed by CPAs, if any, shall be disclosed altogether.

2. Condensed Statement of Comprehensive Income - IFRSs (for consolidated financial statements)

Unit: Thousand NT\$

Item \ Year	Financial information for the most recent five years					As of March 31, 2024 Financial information (Note 1)
	2023	2022	2021	2020	2019	
Operating revenue	6,380,904	6,907,619	6,027,838	5,156,550	4,868,003	1,595,178
Operating margin	1,942,231	2,528,462	1,862,624	1,546,592	1,426,443	516,242
Net operating income	989,237	1,430,775	933,761	706,973	673,187	261,347
Non-operating income and expenses	71,168	126,561	(47,894)	(23,425)	13,036	59,876
Net profit before tax	1,060,405	1,557,336	885,867	683,548	686,223	321,223
Continuing operations						
Net income	-	-	-	-	-	-
Net loss from discounting operations	-	-	-	-	-	-
Net income (loss)	862,107	1,274,350	721,678	539,476	539,200	269,305
Other comprehensive income recognized for the period (Net profit after tax)	11,107	82,918	(128,859)	(25,087)	11,245	(18,028)
Total comprehensive income of the current period	873,214	1,357,268	592,819	514,389	550,445	251,277
Net income attributes to shareholders of the parent	852,122	1,247,391	676,574	512,338	536,677	256,690
Net profit attributable to non-controlling interest	9,985	26,959	45,104	27,138	2,523	12,615
Comprehensive income attributed to owners of the parent	860,855	1,308,104	587,747	504,930	529,828	244,665
Comprehensive income attributed to non-controlling interests	12,359	49,164	5,072	9,459	20,617	6,612
Earnings per share (EPS)	5.91	8.71	4.78	3.63	3.81	1.77

Note 1: The financial information of Q1 2024 has been audited by the CPAs.

(III) Names of CPAs for the past five years and the auditors' Opinions

Year	Independent Auditor's Name	Independent Auditor's Firm	Audit Opinion
108	CHING-FU CHANG, YUNG-HSIANG CHAO	Deloitte Taiwan	Unqualified opinion
109	CHEN-TSAI TSAI, YUNG-HSIANG CHAO	Deloitte Taiwan	Unqualified opinion
110	MING-HSIEN LIU, YUNG-HSIANG CHAO	Deloitte Taiwan	Unqualified opinion
111	MING-HSIEN LIU, YUNG-HSIANG CHAO	Deloitte Taiwan	Unqualified opinion
112	MING-HSIEN LIU, YUNG-HSIANG CHAO	Deloitte Taiwan	Unqualified opinion

II. Financial Information for the Most Recent Five Years

(I) Financial Analysis - IFRS (for parent company only financial statements)

Analyzed Item	Year	Financial Information for the Most Recent Five Years					As of March 31, 2024
		2023	2022	2021	2020	2019	(note 1)
Financial structure (%)	Total liabilities to total assets	34.79	36.72	51.07	50.73	42.44	
	Long-term capital to PP&E	176.68	162.07	152.43	151.22	173.96	
Debt-paying ability (%)	Current ratio	157.21	178.4	159.02	204.08	149.8	
	Quick ratio	74.57	94.57	105.9	98.52	71.54	
	Interest protection multiples	25.57	39.55	20.92	38.33	100.24	
Operating performance	Accounts receivable turnover (times)	6.19	6.68	6.28	6.29	5.66	
	Average collection days	59	55	58	58	64	
	Inventory turnover (times)	2.43	2.83	3.02	2.66	2.6	
	Accounts payable turnover (times)	13.03	17.37	19.83	19.51	18.1	
	Average inventory turnover days	150.00	129	121	137	140	
	Property, plant and equipment turnover (times)	1.38	1.39	1.11	1.09	1.4	
	Total Assets Turnover (times)	0.64	0.68	0.59	0.56	0.63	
Profitability	ROA (%)	9.55	13.6	7.59	6.4	7.97	
	ROE (%)	14.29	23.74	14.75	11.76	12.59	
	Pre-tax profit to paid-in capital (%)	72.22	105.46	57.3	45.48	48.04	
	Net profit margin (%)	14.39	19.47	12.37	11.05	12.54	
	Earnings per share (NT\$)	5.91	8.71	4.78	3.63	3.81	
Cash Flow Analysis	Cash flow ratio (%)	55.61	101.3	48.65	72.18	58.07	
	Cash flow adequacy (%)	85.42	76.82	61.94	55.17	67.2	
	Cash flow reinvestment ratio (%)	5.39	13.74	7.36	4.73	5.39	
Leverage	Operating leverage	1.60	1.44	1.73	1.75	1.59	
	Financial leverage	1.05	1.03	1.05	1.03	1.01	

Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis is not required)

The comparison and analysis on difference in the financial information 2023 and 2022.

- (1) The decrease in quick ratio was mainly due to the increase in inventory and prepayment in the current period.
- (2) The decrease in interest coverage ratio was mainly due to the increase in purchase order at the end of the year in response to the increase in order demand this year, resulting in the increase in accounts payable at the end of the period.
- (3) The decrease in the turnover rate of payables is mainly due to the increase in cost in the current year.
- (4) The decreases in return on assets, return on asset, return on equity, net income before taxes to paid-in capital, net profit margin and earnings per share were mainly due to the decrease in net income for the year.
- (5) The decrease in cash flow ratio was mainly due to the decrease in revenue due to the de-stocking of the semiconductor industry.
- (6) Cash reinvestment ratio decreased: mainly due to the decrease in cash flow from operating activities.

Note 1: Where the Company is listed or trades stocks on the TWSE or TPEX prior to the date of publication of the annual report, the Company's most recent financial information audited, certified or reviewed by CPAs, if any, shall be analyzed altogether.

(II) Financial Analysis - IFRS (for consolidated financial statements)

Analyzed Item		Financial Information for the Most Recent Five Years					As of March 31, 2024
		2023	2022	2021	2020	2019	(note 1)
Financial structure (%)	Total liabilities to total assets	34.38	36.19	50.3	49.9	41.89	41.91
	Long-term capital to PP&E	179.57	165.86	156.13	154.46	177.14	179.94
Debt-paying ability (%)	Current ratio	179.59	204.8	177.84	236.27	177.74	157.07
	Quick ratio	92.72	112.43	119.96	126.11	92.81	90.42
	Interest protection multiples	25.81	40.57	22.54	40.45	98.34	30.46
Operating performance	Accounts receivable turnover (times)	5.89	6.26	5.82	5.75	5.18	5.94
	Average collection days	62	58	63	63	70	61
	Inventory turnover (times)	2.38	2.69	2.92	2.6	2.59	2.2
	Accounts payable turnover (times)	12.9	16.13	17.3	16.91	15.32	2.56
	Average inventory turnover days	153	135	125	141	141	166
	Property, plant and equipment turnover (times)	1.45	1.46	1.19	1.18	1.51	1.51
	Total Assets Turnover (times)	0.66	0.7	0.61	0.59	0.67	0.62
Profitability	ROA (%)	9.24	13.25	7.69	6.37	7.49	10.86
	ROE (%)	13.72	22.88	14.75	11.55	11.78	17.05
	Pre-tax profit to paid-in capital (%)	73.16	108.35	62.1	48.45	48.67	88.56
	Net profit margin (%)	13.51	18.45	11.97	10.46	11.08	16.88
	Earnings per share (NT\$)	5.91	8.71	4.78	3.63	3.63	1.77
Cash Flow Analysis	Cash flow ratio (%)	57.28	98.32	49.71	72.16	58.62	10.67
	Cash flow adequacy (%)	88.96	93.07	76.05	60.11	68.44	110.45
	Cash flow reinvestment ratio (%)	5.73	13.09	7.64	5.12	5.65	2.63
Leverage	Operating leverage	1.61	1.43	1.68	1.73	1.63	1.54
	Financial leverage	1.05	1.03	1.05	1.03	1.01	1.04
<p>Please explain the reasons for the changes in the financial ratios in the last two years. (If the increase/decrease change is less than 20%, the analysis is not required)</p> <p>The comparison and analysis on difference in the financial information 2023 and 2022.</p> <p>(1) The increase in interest coverage multiple was mainly due to the decrease in overall operating revenue.</p> <p>(2) The decrease in turnover rate of accounts payable was mainly due to the increase in purchase order at the end of the year in response to the increase in order demand this year, resulting in the increase in accounts payable at the end of the period.</p> <p>(3) The decreases in return on assets, return on asset, return on equity, net income before taxes to paid-in capital, net profit margin and earnings per share were mainly due to the decrease in net income for the year.</p> <p>(4) The decrease in cash flow ratio was mainly due to the decrease in revenue due to the de-stocking of the semiconductor industry.</p> <p>(5) Cash reinvestment ratio decreased: mainly due to the decrease in cash flow from operating activities.</p>							

Note 1: The year that has not been audited by the CPA should be noted.

Note 2: Where the Company is listed or trades stocks on the TWSE or TPEX prior to the date of publication of the annual report, the Company's most recent financial information audited, certified or reviewed by CPAs, if any, shall be analyzed altogether.

Note 3: The following calculation formula should be shown at the end of this table in the annual report.

1. Financial Structure

(1) Liabilities to assets ratio = total liabilities/total assets.

(2) Ratio of long-term funds to property, plant and equipment = (total equity + non-current liabilities)/net property, plant and equipment.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets – inventory - prepaid expenses)/current liabilities.

(3) Times interest earned = net profit before income tax and interest expense/interest expense in the current period.

3. Operating Ability

(1) Receivables (including accounts receivable and notes receivable due to business) turnover rate = net sales/average balance of receivables (including accounts receivable and notes receivable due to business) of each period.

(2) Average cash collection days = 365/turnover rate of accounts receivable.

(3) Inventory turnover rate = cost of goods sold/average inventory value.

(4) Payables (including accounts payable and notes payable due to business) turnover rate = cost of goods sold/average balance of payables (including accounts payable and notes payable due to business) of each period.

(5) Average days of sales = 365/inventory turnover rate.

(6) Turnover rate of property, plant and equipment = net sales/average net property, plant and equipment.

(7) Turnover rate of total assets = net sales/total average assets.

4. Profitability

(1) Return on assets = [after-tax profit and loss + interest expense x (1 - tax rate)]/average total assets.

(2) Return on equity = after-tax profit and loss/average total equity.

(3) Net profit rate = after-tax profit and loss/net sales.

(4) Earnings per share = (profit and loss attributable to owners of the parent company - special stock dividends)/weighted average number of issued shares. (Note 4)

5. Cash Flow

(1) Cash flow ratio = net cash flow from operating activities/current liabilities.

(2) Net cash flow adequacy ratio = net cash flow from operating activities in the most recent five years/(capital expenditure + inventory increase + cash dividends) of the most recent five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross property, plant and equipment + long-term investment + other non-current assets + working capital). (note 5)

6. Leverage:

(1) Operating leverage = (net operating income - variable operating costs and expenses)/operating profit (note 6).

(2) Financial leverage = operating profit/(operating profit - interest expense).

Note 4: In the formula above for calculating the earnings per share, special attention shall be paid to the following matters for measuring:

1. Based on the weighted average number of ordinary shares, rather than the number of issued shares at the end of the year.

2. For cash capital increase or treasury stock trading, the weighted average number of shares should be calculated with the consideration of the circulation period.

3. Where there is a capital increase from earnings or capital reserve when calculating the earnings per share of previous years and half-years, retrospective adjustments should be made according to the capital increase ratio, regardless of the period of the capital increase.

4. If the special shares are non-convertible cumulative special shares, the dividends for the current year (regardless of whether they are paid) should be deducted from the net profit after tax, or the net loss after tax should be increased. If the special shares are non-cumulative, in the case of net profit after tax, the dividend of the special shares shall be deducted from the net profit after tax; if the result is a loss, then no adjustment is necessary.

Note 5: Special attention should be paid to the following items when performing cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.

2. Capital expenditure refers to the amount of cash outflow from capital investment each year.

3. The increase in inventory is only included when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, it will be counted as zero.

4. Cash dividends include cash dividends for ordinary shares and special shares.

5. Gross property, plant and equipment refers to the total amount of property, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses as fixed and variable according to their nature. If estimates or subjective judgments are involved, attention should be paid to the reasonableness and consistency should be maintained.

Note 7: If the company's shares have no denomination or the denomination per share is not NT\$10, the calculation of the paid-in capital ratio above should be calculated based on the equity ratio attributable to the owner of the parent company on the balance sheet.



III. Audit Committee's review report of the most recent annual financial report.

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit Kinik Company's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Kinik Company Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Kinik Company Limited.

Chairman of the Audit Committee:

蔡新源

February 27, 2024



IV. Most Recent Financial Reports

Kinik Company and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2023 and 2022 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

KINIK COMPANY

By

PO-CHUAN LIN

February 27, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kinik Company

Opinion

We have audited the accompanying consolidated financial statements of Kinik Company and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the report of other auditors (refer to the other matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2023 is stated as follows:

Income Occurrence

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

The Group's revenue mainly comes from the production and sale of grinding wheels, semiconductor diamond discs and recycled wafer products. Sales revenue from the specific segment is material to the financial statements, which is one of the evaluation criteria for operating performance as well. The main significant risk to the Company is the occurrence of sales revenue. Therefore, we identified the occurrence of revenue as a key audit matter.

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

1. We obtained an understanding of and evaluated the appropriateness of the accounting policies on revenue recognition.
2. We obtained an understanding of and evaluated the effectiveness of the internal control on revenue recognition and the occurrence of sales.
3. We selected samples and tested specific sales transactions of the current year and checked the relevant internal and external vouchers to support the facts of the shipment; we checked shipping and delivery receipts and payments received for any major abnormalities; we checked the general ledger of sales revenue for any significant debit amount; and we checked the sales returns and allowances ledger for any significant sales returns and discounts and confirmed that sales revenue transactions did occur.

Other Matter

We did not audit the financial statements of KINIK-THAI Co., Ltd., a subsidiary included in the consolidated financial statements of the Group, but such statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for KINIK-THAI Co., Ltd., is based solely on the reports of other auditors. As of December 31, 2023 and 2022, the total assets of KINIK-THAI Co., Ltd. were NT\$635,985 thousand and NT\$684,976 thousand, representing 6% and 7% of the consolidated total assets, respectively; for the years ended December 31, 2023 and 2022, total revenue was NT\$368,178 thousand and NT\$388,510 thousand, representing 6% and 6% of consolidated total revenue, respectively.

We have also audited the parent company only financial statements of Kinik Company as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion with other matter paragraph.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports

by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ming-Hsien Liu and Yung-Hsiang Chao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

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

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

KINIK COMPANY AND SUBSIDIARIES
**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 992,118	10	\$ 1,129,701	12
Financial assets at amortized cost - current (Note 7)	3,000	-	-	-
Notes receivable (Note 10)	78,979	1	86,948	1
Trade receivables (Note 10)	929,922	9	943,887	10
Trade receivables from related parties (Notes 10 and 28)	68,954	1	59,560	1
Other receivables (Note 28)	8,926	-	5,463	-
Inventories (Note 11)	1,922,336	20	1,807,951	19
Prepayments	32,967	-	24,032	-
Other current assets	4,901	-	4,185	-
Total current assets	<u>4,042,103</u>	<u>41</u>	<u>4,061,727</u>	<u>43</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 8)	128,820	1	12,809	-
Financial assets at fair value through other comprehensive income - non-current (Note 9)	533,634	5	267,863	3
Investments accounted for using the equity method (Note 13)	43,437	1	49,965	1
Property, plant and equipment (Note 14)	4,239,246	43	4,559,011	48
Right-of-use assets (Notes 15 and 28)	44,520	1	43,826	-
Investment properties, net (Note 16)	358,403	4	365,594	4
Goodwill	7,388	-	7,388	-
Deferred tax assets (Note 23)	38,925	-	35,174	-
Prepayments for equipment	371,208	4	90,473	1
Refundable deposit	15,784	-	10,243	-
Other non-current assets (Note 29)	39,485	-	40,822	-
Total non-current assets	<u>5,820,850</u>	<u>59</u>	<u>5,483,168</u>	<u>57</u>
TOTAL	<u>\$ 9,862,953</u>	<u>100</u>	<u>\$ 9,544,895</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	\$ 955,000	10	\$ 100,000	1
Trade payables (Note 28)	404,227	4	284,091	3
Other payables (Notes 18 and 28)	720,000	7	814,625	9
Current tax liabilities	137,196	2	236,016	3
Lease liabilities - current (Notes 15 and 28)	7,802	-	6,818	-
Current portion of long-term borrowings (Note 17)	-	-	500,000	5
Other current liabilities (Note 28)	26,495	-	41,690	-
Total current liabilities	<u>2,250,720</u>	<u>23</u>	<u>1,983,240</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 17 and 28)	214,000	2	500,000	5
Long-term notes payable (Note 17)	800,000	8	800,000	8
Deferred tax liabilities (Note 23)	49,851	1	52,555	1
Lease liabilities - non-current (Notes 15 and 28)	37,984	-	38,118	-
Net defined benefit liabilities - non-current (Note 19)	8,999	-	48,195	1
Deposits received	2,274	-	6,023	-
Other non-current liabilities (Note 20)	26,710	-	26,094	-
Total non-current liabilities	<u>1,139,818</u>	<u>11</u>	<u>1,470,985</u>	<u>15</u>
Total liabilities	<u>3,390,538</u>	<u>34</u>	<u>3,454,225</u>	<u>36</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Ordinary shares	1,449,435	15	1,437,337	15
Capital surplus				
Issuance of ordinary shares	277,560	3	201,375	2
Acquisition or disposal of subsidiary's shares	663	-	663	-
Changes in capital surplus from investments in associates accounted for using the equity method	28,795	-	28,232	-
Business combinations	1,007,999	10	1,007,999	11
Employee share options (Note 25)	84,640	1	51,464	-
Retained earnings				
Legal reserve	1,065,919	11	935,909	10
Special reserve	14,449	-	22,453	-
Unappropriated earnings	2,253,891	23	2,090,747	22
Other equity interests				
Exchange differences on translation of the financial statements of foreign operations	(450)	-	(2,576)	-
Unrealized gain - financial instrument at FVTOCI	(14,533)	-	(11,873)	-
Total equity attributable to owners of the Company	<u>6,168,368</u>	<u>63</u>	<u>5,761,730</u>	<u>60</u>
NON-CONTROLLING INTERESTS	<u>304,047</u>	<u>3</u>	<u>328,940</u>	<u>4</u>
Total equity	<u>6,472,415</u>	<u>66</u>	<u>6,090,670</u>	<u>64</u>
TOTAL	<u>\$ 9,862,953</u>	<u>100</u>	<u>\$ 9,544,895</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 27, 2024)

KINIK COMPANY AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Note 28)	\$ 6,380,904	100	\$ 6,907,619	100
OPERATING COSTS (Notes 11, 22 and 28)	<u>(4,438,673)</u>	<u>(69)</u>	<u>(4,379,157)</u>	<u>(63)</u>
GROSS PROFIT	<u>1,942,231</u>	<u>31</u>	<u>2,528,462</u>	<u>37</u>
OPERATING EXPENSES (Notes 22 and 28)				
Selling and marketing expenses	(500,562)	(8)	(635,105)	(9)
General and administrative expenses	(296,451)	(5)	(301,756)	(4)
Research and development expenses	(156,505)	(2)	(164,037)	(3)
Expected credit gain	<u>524</u>	<u>-</u>	<u>3,211</u>	<u>-</u>
Total operating expenses	<u>(952,994)</u>	<u>(15)</u>	<u>(1,097,687)</u>	<u>(16)</u>
PROFIT FROM OPERATIONS	<u>989,237</u>	<u>16</u>	<u>1,430,775</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES (Notes 22 and 28)				
Interest income	61,117	1	6,276	-
Other income	40,080	1	59,935	1
Other gains and losses	19,800	-	105,987	2
Finance costs	(42,738)	(1)	(39,359)	(1)
Share of loss of associates	<u>(7,091)</u>	<u>-</u>	<u>(6,278)</u>	<u>-</u>
Total non-operating income and expenses	<u>71,168</u>	<u>1</u>	<u>126,561</u>	<u>2</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,060,405	17	1,557,336	23
INCOME TAX EXPENSE (Note 23)	<u>(198,298)</u>	<u>(3)</u>	<u>(282,986)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>862,107</u>	<u>14</u>	<u>1,274,350</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 19)	11,584	-	65,886	1
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(12,700)	-	(8,166)	-
Income tax relating to items that will not be reclassified subsequently to loss or profit (Note 23)	<u>(2,317)</u>	<u>-</u>	<u>(13,177)</u>	<u>-</u>
	<u>(3,433)</u>	<u>-</u>	<u>44,543</u>	<u>1</u>

(Continued)

KINIK COMPANY AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2023		2022	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 4,500	-	\$ 42,082	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	<u>10,040</u>	<u>-</u>	<u>(3,707)</u>	<u>-</u>
	<u>14,540</u>	<u>-</u>	<u>38,375</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>11,107</u>	<u>-</u>	<u>82,918</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 873,214</u>	<u>14</u>	<u>\$ 1,357,268</u>	<u>20</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 852,122	14	\$ 1,247,391	18
Non-controlling interests	<u>9,985</u>	<u>-</u>	<u>26,959</u>	<u>-</u>
	<u>\$ 862,107</u>	<u>14</u>	<u>\$ 1,274,350</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 860,855	14	\$ 1,308,104	19
Non-controlling interests	<u>12,359</u>	<u>-</u>	<u>49,164</u>	<u>1</u>
	<u>\$ 873,214</u>	<u>14</u>	<u>\$ 1,357,268</u>	<u>20</u>
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	<u>\$ 5.91</u>		<u>\$ 8.71</u>	
Diluted	<u>\$ 5.84</u>		<u>\$ 8.53</u>	

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

(With Deloitte & Touche auditors' report dated February 27, 2024)

(Concluded)

KINIK COMPANY AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Ordinary Shares	Issuance of Ordinary Shares	Acquisition or Disposal of Subsidiary's Share	Capital Surplus			Retained Earnings			Other Equity Interests		Non-controlling Interests	Total Equity
				Change in Capital Surplus from Investments in Associates Accounted for Using the Equity Method	Business Combinations	Employee Share Options	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2022	\$ 1,426,580	\$ 131,796	\$ 663	\$ 20,925	\$ 1,007,999	\$ 33,889	\$ 873,551	\$ -	\$ 1,275,738	\$ (22,453)	\$ -	\$ 301,926	\$ 5,050,614
Appropriation of 2021 earnings													
Legal reserve	-	-	-	-	-	-	62,358	-	(62,358)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	22,453	(22,453)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(400,280)	-	-	-	(400,280)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	7,307	-	-	-	-	-	-	-	-	7,307
Share-based payment	10,757	69,579	-	-	-	17,575	-	-	-	-	-	-	97,911
Cash dividends from subsidiary	-	-	-	-	-	-	-	-	-	-	-	(22,150)	(22,150)
Net profit for the year ended December 31, 2022	-	-	-	-	-	-	-	-	1,247,391	-	-	26,959	1,274,350
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	-	-	52,709	19,877	(11,873)	22,205	82,918
BALANCE AT DECEMBER 31, 2022	1,437,337	201,375	663	28,232	1,007,999	51,464	935,909	22,453	2,090,747	(2,576)	(11,873)	328,940	6,090,670
Appropriation of 2022 earnings													
Legal reserve	-	-	-	-	-	-	130,010	-	(130,010)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(576,239)	-	-	-	(576,239)
Special reserve reversed	-	-	-	-	-	-	-	(8,004)	8,004	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	563	-	-	-	-	-	-	-	-	563
Share-based payment	12,098	76,185	-	-	-	33,176	-	-	-	-	-	-	121,459
Cash dividends from subsidiary	-	-	-	-	-	-	-	-	-	-	-	(37,252)	(37,252)
Net profit for the year ended December 31, 2023	-	-	-	-	-	-	-	-	852,122	-	-	9,985	862,107
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	-	-	-	9,267	2,126	(2,660)	2,374	11,107
BALANCE AT DECEMBER 31, 2023	\$ 1,449,435	\$ 277,560	\$ 663	\$ 28,795	\$ 1,007,999	\$ 84,640	\$ 1,065,919	\$ 14,449	\$ 2,253,891	\$ (450)	\$ (14,533)	\$ 304,047	\$ 6,472,415

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche auditors' report dated February 27, 2024)

KINIK COMPANY AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,060,405	\$ 1,557,336
Adjustments for:		
Depreciation expense	597,359	608,619
Amortization expense	9,630	9,577
Expected credit loss reversed on trade receivables	(524)	(3,211)
Net loss on fair value changes of financial assets at fair value through profit or loss	8,989	2,191
Finance costs	42,738	39,359
Interest income	(61,117)	(6,276)
Dividends income	-	(274)
Compensation costs of employee share options	50,079	33,791
Share of loss of associates	7,091	6,278
Gain on disposal of property, plant and equipment	(2,576)	(1,630)
Loss on inventory write-downs and retirement	50,682	32,709
Unrealized net loss on foreign currency exchange	7,392	7,519
Other (income) loss	(4)	1,761
Changes in operating assets and liabilities		
Notes receivable	7,969	17,274
Trade receivables	5,921	(36,197)
Trade receivables from related parties	(9,394)	43,296
Other receivables	1,321	758
Inventories	(163,634)	(386,680)
Prepayments	(8,935)	1,478
Other current assets	(716)	(196)
Trade payables	121,606	25,343
Other payables	(101,121)	228,109
Other current liabilities	(15,195)	17,087
Net defined benefit liabilities	(27,612)	(28,001)
Other non-current liabilities	616	1,007
Cash generated from operations	1,580,970	2,171,027
Interest received	56,986	3,418
Dividends received	-	274
Interest paid	(42,442)	(41,475)
Income tax paid	(306,291)	(183,411)
Net cash generated from operating activities	<u>1,289,223</u>	<u>1,949,833</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(265,785)	(279,680)
Purchase of financial assets at amortized cost	(3,000)	(334,391)
Proceeds from sale of financial assets at amortized cost	-	334,391
Purchase of financial assets at fair value through comprehensive income	(125,000)	(15,000)

(Continued)

KINIK COMPANY AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023	2022
Payments for property, plant and equipment	\$ (532,349)	\$ (191,746)
Proceeds from disposal of property, plant and equipment	3,074	2,487
Increase in refundable deposits	(5,541)	(381)
Increase in other non-current assets	<u>(8,252)</u>	<u>(1,162)</u>
Net cash used in investing activities	<u>(936,853)</u>	<u>(485,482)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	855,000	-
Decrease in short-term borrowings	-	(600,000)
Proceeds from long-term borrowings	14,000	-
Repayment of long-term borrowings	(800,000)	(1,300,000)
Decrease in guarantee deposits received	(3,749)	(8,268)
Repayment of the principal portion of lease liabilities	(11,979)	(8,769)
Dividends paid to owners of the Company	(576,239)	(400,280)
Proceeds from employee share options exercised	71,380	64,120
Dividends paid to non-controlling interests	<u>(37,252)</u>	<u>(22,150)</u>
Net cash used in financing activities	<u>(488,839)</u>	<u>(2,275,347)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES		
	<u>(1,114)</u>	<u>20,813</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(137,583)	(790,183)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,129,701</u>	<u>1,919,884</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 992,118</u>	<u>\$ 1,129,701</u>

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

(With Deloitte & Touche auditors' report dated February 27, 2024) (Concluded)

KINIK COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since January 1, 2005.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on February 27, 2024.

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

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

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

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights exist at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group, which may have difficulty complying with the covenants and repaying its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such an option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the

Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Table 2 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

Goodwill and fair value adjustments recognized on identifiable assets and liabilities of acquired foreign operation are treated as assets and liabilities of the foreign operation and translated at the rates of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income.

f. Inventories.

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

g. Investments in associates.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

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

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

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

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

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

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

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

Depreciation is recognized using the straight-line method.

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

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

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, remeasurement gains or losses on such financial assets are recognized in other gains and losses. Fair value is determined in the manner described in Note 27.

ii. Financial assets at amortized cost

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

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

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

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

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

iii. Investments in debt instruments at FVTOCI

If the Corporation's investments in debt instruments satisfy the following two conditions will be classified as financial assets at FVTOCI:

- i) Such investments are held in a certain business operation mode and the purpose of the mode can be achieved by obtaining contractual cash flows and selling financial assets; and
- ii) Cash flows are generated on a specific date under the terms of a contract, and the cash flows are completely used for paying the principal and interest on the outstanding principal amount.

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

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

n. Provisions

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

o. Revenue recognition

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

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

Revenue from the sale of goods

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

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

p. Leases

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

1) The Group as lessor

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

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

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

2) The Group as lessee

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

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

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

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

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

q. Borrowing costs

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

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

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

r. Government grants

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

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

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

s. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

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

3) Other long-term employee benefits

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

t. Employee share options

1) Employee share options

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

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

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

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

u. Taxation

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

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

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

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

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

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

3) Current tax and deferred tax for the year

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The accounting policies, estimates and basic assumptions adopted by the Group have no material accounting judgments, assumptions and estimation uncertainty based on the evaluation of the Group's management.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
Cash on hand	\$ 423	\$ 467
Checking accounts and demand deposits	735,239	647,413
Time deposits	<u>256,456</u>	<u>481,821</u>
	<u>\$ 992,118</u>	<u>\$ 1,129,701</u>

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

	December 31	
	2023	2022
Bank balance	0.001%-5.50%	0.001%-4.82%

7. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 3,000</u>	<u>\$ =</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2023	2022
<u>Non-current</u>		
Domestic investments		
Limited partnership	<u>\$ 128,820</u>	<u>\$ 12,809</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2023	2022
<u>Non-current</u>		
Investments in equity instruments		
Domestic listed shares and emerging market shares	\$ 99,378	\$ 81,994
Investments in debt instruments		
Foreign corporate bonds	<u>434,256</u>	<u>185,869</u>
	<u>\$ 533,634</u>	<u>\$ 267,863</u>

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

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 79,420	\$ 87,389
Less: Allowance for impairment loss	<u>(441)</u>	<u>(441)</u>
	<u>\$ 78,979</u>	<u>\$ 86,948</u>
 <u>Trade receivables (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 1,000,434	\$ 1,005,560
Less: Allowance for impairment loss	<u>(1,558)</u>	<u>(2,113)</u>
	<u>\$ 998,876</u>	<u>\$ 1,003,447</u>

a. Trade receivables

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. Overdue trade receivables as of December 31, 2023 and 2022, were both provide with allowance of 0%-100%.

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

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

	December 31	
	2023	2022
Not due	\$ 967,652	\$ 968,012
1-60 days	27,511	31,920
61-90 days	2,903	1,826
91-180 days	810	2,298
More than 181 days	<u>1,558</u>	<u>1,504</u>
	<u>\$ 1,000,434</u>	<u>\$ 1,005,560</u>

The above aging schedule was based on the number of overdue days from the posting date.

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 2,113	\$ 9,935
Less: Net reversed of loss allowance	(524)	(3,211)
Less: Amounts written off	<u>(31)</u>	<u>(4,611)</u>
Balance at December 31	<u>\$ 1,558</u>	<u>\$ 2,113</u>

b. Notes receivable

The aging schedule of notes receivable was as follows:

	December 31	
	2023	2022
Not due	\$ 79,420	\$ 87,389
Due	<u>-</u>	<u>-</u>
	<u>\$ 79,420</u>	<u>\$ 87,389</u>

The above aging schedule was based on the number of overdue days from the posting date.

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 441	\$ 441
Less: Net reversed of loss allowance	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 441</u>	<u>\$ 441</u>

11. INVENTORIES

	December 31	
	2023	2022
Finished goods and merchandise	\$ 800,000	\$ 784,298
Work in progress	328,833	288,751
Raw materials	735,442	675,364
Supplies	<u>58,061</u>	<u>59,538</u>
	<u>\$ 1,922,336</u>	<u>\$ 1,807,951</u>

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

	For the Year Ended December 31	
	2023	2022
Cost of inventories sold	\$ 4,387,991	\$ 4,346,448
Loss on inventory write-downs and retirement	<u>50,682</u>	<u>32,709</u>
	<u>\$ 4,438,673</u>	<u>\$ 4,379,157</u>

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31 2023	2022	
The Company	Hongia Co., Ltd.	Metal products manufacturing	100.0	100.0	1)
The Company	KINIK-THAI CO., LTD.	Metal products manufacturing	47.2	47.2	1), 2)
The Company	KINLI Investment Co., Ltd.	General investment	100.0	-	1), 3)

1) Subsidiaries that are not material.

2) The Group holds 47.2% of the issued share capital of KINIK-THAI CO., LTD and holds more than half of the total number of seats in the board of directors and has the practical effectiveness to lead the relevant activities of KINIK-THAI CO., LTD. Hence, the Group accounts for it as a subsidiary company.

3) The Group established new subsidiary in November 2023.

b. Subsidiaries excluded from consolidated financial statements: None.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

- a. The list of associates that are not individually material was as follows:

	December 31			
	2023		2022	
	Amount	%	Amount	%
Yamamura Kinik Optical Co., Ltd.	\$ -	-	\$ -	30.0
Nano-Tem International Taiwan Co.	-	-	-	-
Winsheng Material Technology Co., Ltd.	<u>43,437</u>	6.2	<u>49,965</u>	6.2
	<u>\$ 43,437</u>		<u>\$ 49,965</u>	

Yamamura Kinik Optical Co., Ltd.

On June 1, 2022, the board of directors approved to dissolve Yamamura Kinik Optical Co., Ltd. The full amount of impairment loss was recognized after the Group's management performed impairment testing on November 30, 2021. On March 22, 2023, the Group was approved by Ministry of Economic Affairs to be dissolved.

Nano-Tem International Taiwan Co.

On April 30, 2022, the shareholder's meeting approved to dissolve Nano-Tem International Taiwan Co. The Group recognized investment profit or loss under equity method until the date of dissolution. The liquidation of Nano-Tem International Taiwan Co. was completed on August 30, 2022.

Winsheng Material Technology Co., Ltd.

The Group's percentage of ownership in individual immaterial associates is less than 20%. However, the Group is still able to exercise significant influence over Winsheng Material Technology Co., Ltd. since it has joined the board of directors of Winsheng Material Technology Co., Ltd.

- b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2023	2022
The Group's share of:		
Loss from continuing operations	\$ (7,091)	\$ (6,278)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (7,091)</u>	<u>\$ (6,278)</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 1,253,071	\$ 2,382,586	\$ 3,848,277	\$ 83,045	\$ 1,267,046	\$ 8,834,025
Additions	-	4,697	201,895	22,214	29,008	257,814
Disposals	-	-	(13,194)	(12,832)	(9,827)	(35,853)
Reclassification	-	2,474	-	-	(2,474)	-
Effect of foreign currency exchange differences	<u>332</u>	<u>1,067</u>	<u>1,864</u>	<u>66</u>	<u>155</u>	<u>3,484</u>
Balance at December 31, 2023	<u>\$ 1,253,403</u>	<u>\$ 2,390,824</u>	<u>\$ 4,038,842</u>	<u>\$ 92,493</u>	<u>\$ 1,283,908</u>	<u>\$ 9,059,470</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 926,086	\$ 2,635,324	\$ 62,086	\$ 651,518	\$ 4,275,014
Depreciation expense	-	110,154	325,318	10,133	132,424	578,029
Disposals	-	-	(13,148)	(12,765)	(9,442)	(35,355)
Reclassification	-	165	-	-	(165)	-
Effect of foreign currency exchange differences	<u>-</u>	<u>693</u>	<u>1,722</u>	<u>51</u>	<u>70</u>	<u>2,536</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 1,037,098</u>	<u>\$ 2,949,216</u>	<u>\$ 59,505</u>	<u>\$ 774,405</u>	<u>\$ 4,820,224</u>
Carrying amount at December 31, 2023	<u>\$ 1,253,403</u>	<u>\$ 1,353,726</u>	<u>\$ 1,089,626</u>	<u>\$ 32,988</u>	<u>\$ 509,503</u>	<u>\$ 4,239,246</u>
<u>Cost</u>						
Balance at January 1, 2022	\$ 1,250,472	\$ 2,370,739	\$ 3,635,390	\$ 82,286	\$ 1,239,806	\$ 8,578,693
Additions	-	3,530	215,006	8,568	34,169	261,273
Disposals	-	-	(19,337)	(8,354)	(5,398)	(33,089)
Reclassification	-	-	2,465	-	(2,465)	-
Effect of foreign currency exchange differences	<u>2,599</u>	<u>8,317</u>	<u>14,753</u>	<u>545</u>	<u>934</u>	<u>27,148</u>
Balance at December 31, 2022	<u>\$ 1,253,071</u>	<u>\$ 2,382,586</u>	<u>\$ 3,848,277</u>	<u>\$ 83,045</u>	<u>\$ 1,267,046</u>	<u>\$ 8,834,025</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 810,605	\$ 2,300,342	\$ 60,496	\$ 523,549	\$ 3,694,992
Depreciation expense	-	110,132	340,499	8,672	133,231	592,534
Disposals	-	-	(19,313)	(7,522)	(5,397)	(32,232)
Reclassification	-	-	233	-	(233)	-
Effect of foreign currency exchange differences	<u>-</u>	<u>5,349</u>	<u>13,563</u>	<u>440</u>	<u>368</u>	<u>19,720</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 926,086</u>	<u>\$ 2,635,324</u>	<u>\$ 62,086</u>	<u>\$ 651,518</u>	<u>\$ 4,275,014</u>
Carrying amount at December 31, 2022	<u>\$ 1,253,071</u>	<u>\$ 1,456,500</u>	<u>\$ 1,212,953</u>	<u>\$ 20,959</u>	<u>\$ 615,528</u>	<u>\$ 4,559,011</u>

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

Buildings	
Main buildings	7 to 50 years
Power equipment	5 to 10 years
Others	3 to 15 years
Machinery equipment	
Production equipment	3 to 8 years
Instruments	4 to 8 years
Transportation equipment	3 to 5 years
Other equipment	
Computer equipment	3 to 5 years
Others	3 to 10 years

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2023	2022
<u>Carrying amount</u>		
Land	\$ 32,488	\$ 35,054
Buildings	<u>12,032</u>	<u>8,772</u>
	<u>\$ 44,520</u>	<u>\$ 43,826</u>
	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 13,039</u>	<u>\$ 6,218</u>
Depreciation charge for right-of-use assets		
Land	\$ 2,904	\$ 2,900
Buildings	<u>9,235</u>	<u>5,994</u>
	<u>\$ 12,139</u>	<u>\$ 8,894</u>

Other than the above additions and depreciation expense recognized, there were no significant subleases or impairments of the Group's right-of-use assets in December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 7,802</u>	<u>\$ 6,818</u>
Non-current	<u>\$ 37,984</u>	<u>\$ 38,118</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.11%-1.82%	0.84%-1.20%
Buildings	1.19%-1.93%	0.84%-1.20%

c. Other lease information

- 1) Operating leases relate to leases of investment properties; please refer to Note 16.
- 2) The Group's leases of certain assets qualify as short-term leases and leases of certain assets qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	<u>\$ 2,506</u>	<u>\$ 2,706</u>
Expenses relating to low-value asset leases	<u>\$ 191</u>	<u>\$ 120</u>
Total cash outflow for leases	<u>\$ (15,315)</u>	<u>\$ (12,115)</u>

16. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 325,341	\$ 77,469	\$ 402,810
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 325,341</u>	<u>\$ 77,469</u>	<u>\$ 402,810</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2023	\$ -	\$ 37,216	\$ 37,216
Depreciation expense	<u>-</u>	<u>7,191</u>	<u>7,191</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 44,407</u>	<u>\$ 44,407</u>
Carrying amount at December 31, 2023	<u>\$ 325,341</u>	<u>\$ 33,062</u>	<u>\$ 358,403</u>

Cost

	Land	Buildings	Total
Balance at January 1, 2022	\$ 325,341	\$ 77,469	\$ 402,810
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 325,341</u>	<u>\$ 77,469</u>	<u>\$ 402,810</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2022	\$ -	\$ 30,025	\$ 30,025
Depreciation expense	<u>-</u>	<u>7,191</u>	<u>7,191</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 37,216</u>	<u>\$ 37,216</u>
Carrying amount at December 31, 2022	<u>\$ 325,341</u>	<u>\$ 40,253</u>	<u>\$ 365,594</u>

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

	<u>December 31</u>	
	2023	2022
Year 1	\$ 11,729	\$ 10,428
Year 2	9,429	10,997
Year 3	-	9,312
Year 4	-	-
Year 5	<u>-</u>	<u>-</u>
	<u>\$ 21,158</u>	<u>\$ 30,737</u>

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

	<u>December 31</u>	
	2023	2022
Fair value	<u>\$ 766,663</u>	<u>\$ 744,848</u>

17. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	2023	2022
Line of credit and unsecured borrowings	<u>\$ 955,000</u>	<u>\$ 100,000</u>

The range of weighted average effective interest rates on short-term borrowings was 1.45%-1.69% and 1.43% per annum at December 31, 2023 and 2022, respectively.

b. Long-term borrowings

	<u>December 31</u>	
	2023	2022

Secured borrowings (Note 28)

Credit borrowings	\$ 14,000	\$ -
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Unsecured borrowings

Credit borrowings	200,000	1,000,000
Less: Current portion	<u>-</u>	<u>(500,000)</u>

Long-term borrowings	<u>\$ 214,000</u>	<u>\$ 500,000</u>
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The range of weighted average effective interest rates on long-term borrowings was 0.50%-1.78% and 1.97%-2.06% per annum at December 31, 2023 and 2022, respectively.

The borrowings obtained in 2023 and 2022 are due from June 6, 2025 to December 28, 2026 and September 30, 2023 to July 9, 2024.

c. Long-term notes payable

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Commercial paper	\$ 800,000	\$ 800,000
Less: Unamortized discounts on notes payable	<u>-</u>	<u>-</u>
	<u>\$ 800,000</u>	<u>\$ 800,000</u>

The Group signed a floating rate commercial paper underwriting contract with Bank of Taiwan. The contract expires on January 18, 2026. During the period, the Group only has to pay a handling fee and interest. Hence, this liability is under long-term notes payable. The effective interest rate at December 31, 2023 and 2022 was 2.079% and 1.95%, respectively.

18. OTHER PAYABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Payables for payroll and bonuses	\$ 418,310	\$ 550,590
Payables for annual leave	64,946	61,669
Payables for repairs and maintenance	44,883	25,229
Others	<u>191,861</u>	<u>177,137</u>
	<u>\$ 720,000</u>	<u>\$ 814,625</u>

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company and its subsidiary in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and its subsidiary contribute amounts equal to 2%-6% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The employees of the Group's subsidiary in Thailand are members of a state-managed retirement benefit plan operated by the government of Thailand. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The pension benefits are calculated on the basis of the length of service and average monthly salaries before retirement.

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

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 601,309	\$ 634,819
Fair value of plan assets	<u>(592,310)</u>	<u>(586,624)</u>
Net defined benefit liabilities	<u>\$ 8,999</u>	<u>\$ 48,195</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2022	\$ 689,469	\$ (547,387)	\$ 142,082
Service cost			
Current service cost	4,230	-	4,230
Net interest expense (income)	<u>3,647</u>	<u>(2,783)</u>	<u>864</u>
Recognized in profit or loss	<u>7,877</u>	<u>(2,783)</u>	<u>5,094</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(43,213)	(43,213)
Actuarial loss - changes in demographic assumptions	1,283	-	1,283
Actuarial gain - changes in financial assumptions	(28,864)	-	(28,864)
Actuarial loss - experience adjustments	<u>4,908</u>	<u>-</u>	<u>4,908</u>
Recognized in other comprehensive loss	<u>(22,673)</u>	<u>(43,213)</u>	<u>(65,886)</u>
Contributions from the employer	-	(26,970)	(26,970)
Benefits paid - from plan assets	(33,729)	33,729	-
Benefits paid - from company	(7,442)	-	(7,442)
Exchange differences on foreign plans	<u>1,317</u>	<u>-</u>	<u>1,317</u>
Balance at December 31, 2022	<u>634,819</u>	<u>(586,624)</u>	<u>48,195</u>
Service cost			
Current service cost	3,688	-	3,688
Net interest expense (income)	9,712	(8,957)	755
Liabilities extinguished on settlement	<u>(817)</u>	<u>980</u>	<u>163</u>
Recognized in profit or loss	<u>12,583</u>	<u>(7,977)</u>	<u>4,606</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (3,550)	\$ (3,550)
Actuarial loss - changes in financial assumptions	11,582	-	11,582
Actuarial gain - experience adjustments	<u>(19,616)</u>	<u>-</u>	<u>(19,616)</u>
Recognized in other comprehensive loss	<u>(8,034)</u>	<u>(3,550)</u>	<u>(11,584)</u>
Contributions from the employer	-	(21,809)	(21,809)
Benefits paid - from plan assets	(27,650)	27,650	-
Benefits paid - from company	(10,586)	-	(10,586)
Exchange differences on foreign plans	<u>177</u>	<u>-</u>	<u>177</u>
Balance at December 31, 2023	<u>\$ 601,309</u>	<u>\$ (592,310)</u>	<u>\$ 8,999</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

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

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

	December 31	
	2023	2022
Discount rate(s)	1.125%-4.64%	1.44%-5.44%
Expected rate(s) of salary increase	2.00%-4.00%	2.25%-4.00%

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

	December 31	
	2023	2022
Discount rate(s)		
0.25% increase	<u>\$ (12,212)</u>	<u>\$ (13,447)</u>
0.25% decrease	<u>\$ 12,611</u>	<u>\$ 13,896</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 12,243</u>	<u>\$ 13,525</u>
0.25% decrease	<u>\$ (11,919)</u>	<u>\$ (13,156)</u>

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

	December 31	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 25,236</u>	<u>\$ 25,001</u>
Average duration of the defined benefit obligation	7.6-12.8 years	8.6-12.8 years

20. OTHER NON-CURRENT LIABILITIES

	December 31	
	2023	2022
Long-term provisions for employee benefits	\$ 26,504	\$ 25,063
Others	<u>206</u>	<u>1,031</u>
	<u>\$ 26,710</u>	<u>\$ 26,094</u>

21. EQUITY

a. Ordinary shares

	December 31	
	2023	2022
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>144,944</u>	<u>143,734</u>
Shares issued	<u>\$ 1,449,435</u>	<u>\$ 1,437,337</u>

The change in the Company's share capital is mainly due to the exercise of employee share options. There are 252 thousand shares that have not completed change registration with the Ministry of Economic Affairs before the approval issuance date of the annual financial statements.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year). The capital surplus from changes in capital surplus from investments in associates accounted for using the equity method may only be used to offset deficit. The capital surplus arising from employee share options may not be used for any purpose.

c. Retained earnings and dividends policy

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

The Company's Articles also stipulate a dividends policy whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of the total dividends distributed.

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

On June 22, 2022, the shareholders' meeting approved the amendment to the articles of association and specifying that - The company sets aside the special surplus reserve for the net amount of other equity deductions accumulated in the prior period, if the undistributed earnings of the prior period is insufficient to be provide from the net profit before tax of the current period and plus the amount of other than the net profit after tax in the undistributed earnings of the current period. Before the revision of the articles of association, the Company withdrawn from the undistributed earnings of the prior period in accordance with the law.

The shareholders of the company held their regular meeting on June 20, 2023, and in that meeting, resolved the amendments to all or part of the above-mentioned distribution of dividends and bonuses is made in the form of cash distribution, the board of directors shall be authorized to do so with the presence of more than two-thirds of the directors and the consent of more than half of the directors present, and report to the shareholders' meeting.

The appropriations of earnings for 2022 and 2021 have been approved in the shareholders' meetings on June 20, 2023 and June 22, 2022, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	<u>\$ 130,010</u>	<u>\$ 62,358</u>
Special reserve	<u>\$ (8,004)</u>	<u>\$ 22,453</u>
Cash dividends	<u>\$ 576,239</u>	<u>\$ 400,280</u>
Cash dividends per share (NT\$)	\$ 4.0	\$ 2.8

The appropriations of earnings for 2023 were as follows:

	Appropriation of Earnings For the Year Ended December 31, 2023
Legal reserve	<u>\$ 86,139</u>
Special reserve	<u>\$ 534</u>
Cash dividends	<u>\$ 362,551</u>
Cash dividends per share (NT\$)	\$ 2.5

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

The Company's board of directors resolved to distribute cash dividends on February 27, 2024; the retained earnings are to be presented for approval in the Company's shareholders' meeting to be held on June 24, 2024.

d. Non-controlling interests

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 328,940	\$ 301,926
Share in profit for the year	9,985	26,959
Cash dividends from subsidiaries	(37,252)	(22,150)
Exchange differences on translation of the financial statements of foreign entities	<u>2,374</u>	<u>22,205</u>
Balance at December 31	<u>\$ 304,047</u>	<u>\$ 328,940</u>

22. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	\$ 40,690	\$ 3,977
Financial assets at amortized cost	-	1,767
Investments in debt instruments at fair value through other comprehensive income	<u>20,427</u>	<u>532</u>
	<u>\$ 61,117</u>	<u>\$ 6,276</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Government grants	\$ 20,271	\$ 34,319
Rent income	11,345	14,953
Others	<u>8,464</u>	<u>10,663</u>
	<u>\$ 40,080</u>	<u>\$ 59,935</u>

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment	\$ 2,576	\$ 1,630
Net loss on fair value changes of financial assets at fair value through profit or loss	(8,989)	(2,191)
Net foreign exchange gain	28,168	109,027
Others	<u>(1,955)</u>	<u>(2,479)</u>
	<u>\$ 19,800</u>	<u>\$ 105,987</u>

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 42,099	\$ 38,839
Interest on lease liabilities	<u>639</u>	<u>520</u>
	<u>\$ 42,738</u>	<u>\$ 39,359</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 537,931	\$ 559,970
Operating expenses	<u>59,428</u>	<u>48,649</u>
	<u>\$ 597,359</u>	<u>\$ 608,619</u>
An analysis of amortization by function		
Operating costs	\$ 4,311	\$ 4,708
Operating expenses	<u>5,319</u>	<u>4,869</u>
	<u>\$ 9,630</u>	<u>\$ 9,577</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022

Post-employment benefits		
Defined contribution plan	\$ 58,108	\$ 56,965
Defined benefit plans (Note 19)	4,606	5,094
Share-based payments		
Cost of employee stock option	50,079	33,791
Other employee benefits	<u>1,758,157</u>	<u>1,898,428</u>
Total employee benefits expense	<u>\$ 1,870,950</u>	<u>\$ 1,994,278</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 1,448,682	\$ 1,539,874
Operating expenses	<u>422,268</u>	<u>454,404</u>
	<u>\$ 1,870,950</u>	<u>\$ 1,994,278</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors at the rates no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on February 27, 2024 and February 23, 2023, respectively, were as follows:

Amount

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	\$ 104,500	\$ 150,000
Remuneration of directors	13,800	13,200

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

There was no difference between the actual amounts paid for compensation of employees and remuneration of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

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

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Current tax		
In respect of the current year	\$ 224,486	\$ 306,099
Income tax on unappropriated earnings	-	-

Adjustments for prior year	<u>(17,388)</u>	<u>(36,107)</u>
	207,098	269,992
Deferred tax		
In respect of the current year	<u>(8,800)</u>	<u>12,994</u>
Income tax expense recognized in profit or loss	<u>\$ 198,298</u>	<u>\$ 282,986</u>

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

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 1,060,405</u>	<u>\$ 1,557,336</u>
Income tax expense calculated at the statutory rate	\$ 212,081	\$ 311,467
Nondeductible expenses in determining taxable income	1,859	2,689
Unrecognized loss carryforwards	4	-
Investment gain on foreign operations	1,742	4,937
Adjustments for prior years' tax	<u>(17,388)</u>	<u>(36,107)</u>
Income tax expense recognized in profit or loss	<u>\$ 198,298</u>	<u>\$ 282,986</u>

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on inventories	\$ 11,643	\$ 2,863	\$ -	\$ -	\$ 14,506
Defined benefit plans	5,133	(4,937)	(196)	-	-
Payables for annual leave	12,334	655	-	-	12,989
Loss carryforwards	-	1,250	-	-	1,250
Others	<u>6,064</u>	<u>4,116</u>	<u>-</u>	<u>-</u>	<u>10,180</u>
	<u>\$ 35,174</u>	<u>\$ 3,947</u>	<u>\$ (196)</u>	<u>\$ -</u>	<u>\$ 38,925</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Unrealized revaluation increment	\$ 36,754	\$ -	\$ -	\$ -	\$ 36,754
Defined benefit plans	-	834	2,121	-	2,955
Others	<u>15,801</u>	<u>(5,687)</u>	<u>-</u>	<u>28</u>	<u>10,142</u>
	<u>\$ 52,555</u>	<u>\$ (4,853)</u>	<u>\$ 2,121</u>	<u>\$ 28</u>	<u>\$ 49,851</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Unrealized loss on inventories	\$ 19,645	\$ (8,002)	\$ -	\$ -	\$ 11,643
Defined benefit plans	23,976	(5,666)	(13,177)	-	5,133
Payables for annual leave	11,688	646	-	-	12,334
Others	<u>5,889</u>	<u>175</u>	<u>-</u>	<u>-</u>	<u>6,064</u>

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
	<u>\$ 61,198</u>	<u>\$ (12,847)</u>	<u>\$ (13,177)</u>	<u>\$ -</u>	<u>\$ 35,174</u>
Deferred tax liabilities					
Temporary differences					
Unrealized revaluation increment	\$ 36,754	\$ -	\$ -	\$ -	\$ 36,754
Others	<u>15,411</u>	<u>147</u>	<u>-</u>	<u>243</u>	<u>15,801</u>
	<u>\$ 52,165</u>	<u>\$ 147</u>	<u>\$ -</u>	<u>\$ 243</u>	<u>\$ 52,555</u>

c. Income tax assessments

The income tax returns through 2021 have been assessed by the tax authorities. The Company and its domestic subsidiaries agreed with the tax authorities' assessment.

24. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	\$ 852,122	\$ 1,247,391
Effect of potentially dilutive ordinary shares		
Employee share options	-	-
Compensation of employees or bonus issue to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 852,122</u>	<u>\$ 1,247,391</u>

The weighted average number of ordinary shares outstanding (in thousand of shares) was as follows:

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in the computation of basic earnings per share	144,291	143,242
Effect of potentially dilutive ordinary shares		
Employee share options	896	1,414
Compensation of employees or bonus issue to employees	<u>734</u>	<u>1,549</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>145,921</u>	<u>146,205</u>

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

As the exercise price of the options or warrants issued by the Group exceed the average market price of the shares. They are anti-dilutive and excluded from the computation of diluted earnings per share.

25. SHARE-BASED PAYMENT ARRANGEMENTS

Employee Share Option Plan of the Company

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

	2023		2022	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	167	\$ 58.0	777	\$ 59.1
Options granted	-	-	-	-
Options exercised	(99)	57.3	(610)	58.8
Options forfeited	-	-	-	-
Balance at December 31	<u>68</u>	56.1	<u>167</u>	58.0
Options exercisable, end of the year	<u>68</u>		<u>167</u>	

Information on outstanding options as of December 31, 2023 and 2022 was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Range of exercise price (\$)	\$56.1	\$58.0
Weighted-average remaining contractual life (in years)	0.6 years	1.5 years

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

	<u>For the Year Ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average Exercise Price (\$)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average Exercise Price (\$)</u>
Balance at January 1	2,014	\$ 60.6	2,480	\$ 61.7
Options granted	-	-	-	-
Options exercised	(1,111)	59.2	(466)	60.6
Options forfeited	<u>(5)</u>	-	<u>-</u>	-
Balance at December 31	<u>898</u>	58.6	<u>2,014</u>	60.6
Options exercisable, end of the year	<u>898</u>		<u>774</u>	

Information on outstanding options as of December 31, 2023 and 2022 was as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Range of exercise price (\$)	\$58.6	\$60.6
Weighted-average remaining contractual life (in years)	2.5 years	3.5 years

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

	<u>For the Year Ended December 31</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average Exercise Price (\$)</u>	<u>Number of Options (In Thousands of Units)</u>	<u>Weighted- average Exercise Price (\$)</u>



Balance at January 1	2,500	\$160.0	-	\$ -
Options granted	-	-	2,500	160.0
Options exercised	-	-	-	-
Options forfeited	<u>(58)</u>	-	<u>-</u>	-
Balance at December 31	<u>2,442</u>	154.8	<u>2,500</u>	160.0
Options exercisable, end of the year	<u>-</u>		<u>-</u>	

Information on outstanding options as of December 31, 2022 and 2021 were as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Range of exercise price (\$)	\$154.8	\$160
Weighted-average remaining contractual life (in years)	4.57 years	5.57 years

Options are priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

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

Expected volatility was based on the expected life.

Compensation cost recognized was \$50,079 thousand and \$33,791 thousand for the years ended December 31, 2023 and 2022, respectively.

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

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

The Group's management consider the book value of not measured at fair value financial assets and financial liabilities as approximate fair value or there is no basis for fair value measurement.

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

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Limited Partnership	\$ -	\$ -	\$ 128,820	\$ 128,820
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	99,378	-	-	99,378
Investments in debt instruments				
Foreign corporate bonds	<u>434,256</u>	<u>-</u>	<u>-</u>	<u>434,256</u>
	<u>\$ 533,634</u>	<u>\$ -</u>	<u>\$ 128,820</u>	<u>\$ 662,454</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Limited Partnership	\$ -	\$ -	\$ 12,809	\$ 12,809
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic listed shares and emerging market shares	81,994	-	-	81,994
Investments in debt instruments				
Foreign corporate bonds	<u>185,869</u>	<u>-</u>	<u>-</u>	<u>185,869</u>
	<u>\$ 267,863</u>	<u>\$ -</u>	<u>\$ 12,809</u>	<u>\$ 280,672</u>

There were no transfers between Level 1 and Level 2 fair value measurements in 2023 and 2022.

2) Reconciliation of Level 3 fair value measurements of financial assets

The Group's financial assets under level 3 fair value measurement are equity instruments measured at fair value through profit or loss, the reconciliation of 2023 and 2022 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 12,809	\$ -
Purchase	125,000	15,000
Recognized in profit or loss (other gains and losses)	<u>(8,989)</u>	<u>(2,191)</u>
Balance at December 31	<u>\$ 128,820</u>	<u>\$ 12,809</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The asset-base approach is used to evaluate the fair value of investee by referring its net asset value. The valuation method is chosen by the Group after careful assessment. However, the adoption of different valuation models or fair value may lead to different valuation results.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,100,281	\$ 2,238,864
Financial assets at fair value through profit or loss	128,820	12,809
Financial assets at fair value through other comprehensive income		
Investments in equity instruments	99,378	81,994
Investments in debt instruments	434,256	185,869

Financial liabilities

Amortized cost (2)	2,594,848	2,376,127
--------------------	-----------	-----------

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (includes related parties), other receivables, pledged fixed deposits and refundable deposits.
- 2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans (includes current portion), long-term notes payable, and trade and other payables.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the USD. The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents

management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars weakening by 5% against the relevant currency. For a 5% strengthening of New Taiwan dollars against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2023	2022
Profit or loss*	\$ 55,467	\$ 56,382

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

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

b) Interest rate risk

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

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

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 713,355	\$ 681,759
Financial liabilities	45,786	44,936
Cash flow interest rate risk		
Financial assets	730,182	630,756
Financial liabilities	1,969,000	1,900,000

Sensitivity analysis

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

If interest rates had been 10 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased by \$1,239 thousand and \$1,269 thousand, respectively.

c) Other price risk

The Group is exposed to equity price risk through its investments in equity securities investment.

Sensitivity analysis

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

If equity price has been 5% higher/lower, the other comprehensive profit and loss before tax for the years ended December 31, 2023 and 2022 will increase/decrease by \$4,969 thousand and \$4,100 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Group had available unutilized short-term bank loan facilities set out in (b) below.

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

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

December 31, 2023

	On Demand or Less than 1 Month	1-6 Months	6 Months to 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 783,477	\$ 154,716	\$ 186,034	\$ -
Lease liabilities	603	3,140	4,575	40,352
Debt instrument	<u>392,881</u>	<u>573,956</u>	<u>10,214</u>	<u>1,033,114</u>
	<u>\$ 1,176,961</u>	<u>\$ 731,812</u>	<u>\$ 200,823</u>	<u>\$ 1,073,466</u>

Additional information on the maturity analysis of lease liabilities

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	<u>\$ 8,318</u>	<u>\$ 17,443</u>	<u>\$ 22,909</u>
<u>December 31, 2022</u>			

	On Demand or Less than 1 Month	1-6 Months	6 Months to 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 610,361	\$ 259,691	\$ 228,664	\$ -
Lease liabilities	662	3,316	3,298	40,855
Debt instrument	<u>3,156</u>	<u>114,707</u>	<u>515,524</u>	<u>1,306,328</u>
	<u>\$ 614,179</u>	<u>\$ 377,714</u>	<u>\$ 747,486</u>	<u>\$ 1,347,183</u>

Additional information on the maturity analysis of lease liabilities

	Less than 1 Year	1-5 Years	5+ Years
Lease liabilities	<u>\$ 7,276</u>	<u>\$ 15,424</u>	<u>\$ 25,431</u>

b) Credit line

	<u>December 31</u>	
	2023	2022
<u>Secured bank credit line</u>		
Used credit	\$ 14,000	\$ -
Unused credit	<u>21,000</u>	<u>-</u>
	<u>\$ 35,000</u>	<u>\$ -</u>
<u>Unsecured bank credit line</u>		
Used credit	\$ 1,955,000	\$ 1,900,000
Unused credit	<u>3,990,662</u>	<u>4,334,940</u>
	<u>\$ 5,945,662</u>	<u>\$ 6,234,940</u>

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related parties and relationships

<u>Related Party Name</u>	<u>Related Party Category</u>
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Ymamura Kinik Optical Co., Ltd.	Associate (until March 22, 2023)
Nano-Tem International Taiwan Co.	Associate (until August 30, 2022)
Winsheng Material Technology Co., Ltd.	Associate
Siam Kinik Sales Co., Ltd.	Related party in substance
WEBSTER CO., LTD.	Related party in substance
LI-HE INV. LTD. COMPANY	Related party in substance
Kinchuan Investment Co., Ltd.	Related party in substance
Lin, Po-Chuan	Related party in substance
Lin, Po-Yin	Related party in substance

b. Sales of goods

Account	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Sales revenue	Associates	\$ 160,030	\$ 159,996
	Related party in substance	<u>1,086</u>	<u>42</u>
		<u>\$ 161,116</u>	<u>\$ 160,038</u>

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

Account	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Other income	Related party in substance	\$ 222	\$ 252
	Associates	-	9
Operating lease income and other income	Ymamura Kinik Optical Co., Ltd.	<u>-</u>	<u>6,863</u>
		<u>\$ 222</u>	<u>\$ 7,124</u>

c. Purchase of goods and expense

Account	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Purchase	Related party in substance	\$ 159	\$ 152
	Associates	<u>559</u>	<u>-</u>
		<u>\$ 718</u>	<u>\$ 152</u>
Expense	Associate	<u>\$ 820</u>	<u>\$ 1,543</u>

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

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

Account	Related Party Category/Name	December 31	
		2023	2022
Trade receivables	Associate	\$ 510	\$ 44
	Related party in substance	11	-

Siam Kinik Sales Co., Ltd.	<u>68,433</u>	<u>59,516</u>
	<u>\$ 68,954</u>	<u>\$ 59,560</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for trade receivables from related parties.

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

Account	Related Party Category/Name	<u>December 31</u>	
		2023	2022
Trade payables	Related party in substance	<u>\$ 47</u>	<u>\$ 10</u>
Other payables	Related party in substance	<u>\$ 50</u>	<u>\$ -</u>

The outstanding trade payables to related parties are unsecured.

f. Lease arrangement

Related Party Category/Name	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Acquisition of right-of-use assets</u>		
Related party in substance	<u>\$ -</u>	<u>\$ 3,475</u>

Account	Related Party Category/Name	<u>December 31</u>	
		2023	2022
Lease liabilities	Related party in substance	<u>\$ 2,813</u>	<u>\$ 3,496</u>

Account	Related Party Category/Name	<u>For the Year Ended December 31</u>	
		2023	2022
Interest expense	Related party in substance	<u>\$ 38</u>	<u>\$ 30</u>

g. Acquisition of property, plant and equipment

Related Party Category/Name	<u>Acquisition of Price</u>	
	2023	2022
Ymamura Knik Optical Co., Ltd.	<u>\$ -</u>	<u>\$ 1,600</u>

h. Other transactions with related parties

Account	Related Party Category/Name	<u>December 31</u>	
		2023	2022
Other advance receipts	Associates	<u>\$ -</u>	<u>\$ 410</u>

Related Party Category/Name	<u>December 31</u>	
	2023	2022
Key management personnel Amount endorsed	<u>\$ 35,000</u>	<u>\$ -</u>

Amount utilized (classified as long-term borrowings)	<u>\$ 14,000</u>	<u>\$ -</u>
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i. Remuneration of key management personnel

The amount of the remuneration of directors and key management personnel for the years ended December 31, 2023 and 2022 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 57,033	\$ 45,062
Post-employment benefits	662	812
Share-based payments	<u>17,053</u>	<u>12,021</u>
	<u>\$ 74,748</u>	<u>\$ 57,895</u>

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

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Pledged deposits (classified as other non-current assets)	<u>\$ 3,859</u>	<u>\$ 3,827</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2023 and 2022 were as follows:

Significant Commitments

As of December 31, 2023 and 2022, commitments for purchases of machinery and equipment were as follows (amounts are in thousands of New Taiwan dollars):

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Total contract price		
USD	\$ 8,450	\$ 150
JPY	209,600	371,800
NTD	92,028	176,969
THB	10,458	10,850
EUR	-	110
Unpaid amounts of the purchase		
USD	-	150
JPY	20,960	286,100
NTD	50,307	111,059
THB	1,296	8,164
EUR	-	66

31. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD: NONE
32. OTHER ITEMS: NONE
33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The information regarding significant financial assets/liabilities denominated in foreign currencies held by the Group was as follows:

December 31, 2023

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 38,541	30.705	\$ 1,183,392
JPY	321,833	0.2172	69,902
CNY	36,150	4.327	156,420

Financial liabilities

Monetary items			
USD	2,412	30.705	74,051
JPY	41,818	0.2172	9,083

December 31, 2022

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 39,169	30.71	\$ 1,202,870
JPY	78,086	0.2324	18,147
CNY	14,683	4.408	64,721

Financial liabilities

Monetary items			
USD	2,449	30.71	75,222
JPY	16,101	0.2324	3,742

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

For the Year Ended December 31	
2023	2022

Functional Currency	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	\$ <u>27,607</u>	1 (NTD:NTD)	\$ <u>106,965</u>
THB	0.7782 (THB:NTD)	\$ <u>561</u>	0.7474 (THB:NTD)	\$ <u>2,062</u>

34. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)

V. 10) Intercompany relationships and significant intercompany transactions (Table 3)

- b. Information on investees (Table 2)
- c. Information on investments in mainland China (None)
- d. Information on controlling shareholder: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 5)

35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Traditional products department

Electronics department

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Segment Revenue		Segment Profit	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2023	2022	2023	2022
Traditional products department	\$ 3,071,959	\$ 3,579,839	\$ 452,531	\$ 797,171
Electronics department	<u>3,308,945</u>	<u>3,327,780</u>	<u>536,706</u>	<u>633,604</u>
Profit before tax (continuing operations)	<u>\$ 6,380,904</u>	<u>\$ 6,907,619</u>	989,237	1,430,775
Interest income			61,117	6,276
Other income			40,080	59,935
Other gains and losses			19,800	105,987
Finance costs			(42,738)	(39,359)
Share of profit or loss of associates			<u>(7,091)</u>	<u>(6,278)</u>
Profit before tax (continuing operations)			<u>\$ 1,060,405</u>	<u>\$ 1,557,336</u>

The above revenue was derived from the transactions with external customers. There was no transaction between segments in current year and prior year.

Segment profit represented the profit before tax earned by each segment without allocation of share of interest revenue, other income, other gains and losses, finance costs, and profit or loss of associates. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products.

	For the Year Ended December 31	
	2023	2022
Reclaimed wafers	\$ 3,308,945	\$ 3,327,780
CMP disk	1,655,418	1,845,066
Grinding wheel and cutter products	1,319,021	1,609,130
Others	<u>97,520</u>	<u>125,643</u>
	<u>\$ 6,380,904</u>	<u>\$ 6,907,619</u>

c. Geographical information

The Group operates in two principal geographical areas - Taiwan and Thailand.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

**Revenue from
External Customers**

Non-current Assets

	For the Year Ended December 31		December 31	
	2023	2022	2023	2022
Taiwan	\$ 3,658,038	\$ 3,940,533	\$ 4,932,051	\$ 4,991,409
USA	680,604	648,159	-	-
Singapore	549,740	640,176	-	-
China	517,490	677,534	-	-
Others	<u>975,032</u>	<u>1,001,217</u>	<u>120,811</u>	<u>108,316</u>
	<u>\$ 6,380,904</u>	<u>\$ 6,907,619</u>	<u>\$ 5,052,862</u>	<u>\$ 5,099,725</u>

Non-current assets exclude non-current assets classified as financial instruments or deferred tax assets.

d. Information about major customers

Revenue from the traditional and electronic segments was contributing 10% or more from a single customer, \$1,923,276 thousand and \$1,893,610 thousand, respectively.

KINIK COMPANY AND SUBSIDIARIES
**MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kinik Company	<u>Share(s)</u>							
	Alliance Venture Capital Limited Partnership	-	Financial assets at fair value through profit or loss - non-current	-	\$ 24,832	16.67	\$ 24,832	
	Wisdom Capital Limited Partnership	-	Financial assets at fair value through profit or loss - non-current	-	103,988	14.96	103,988	
	China Development Financial Holding Corporation - Preferred B Share	-	Financial assets at fair value through other comprehensive income - non-current	11,945,000	84,451	0.06	84,451	
	Shin Kong Financial Holding Co., Ltd. - Preferred B Share	-	Financial assets at fair value through other comprehensive income - non-current	487,000	13,953	-	13,953	
	Shin Kong Financial Holding Co., Ltd. - Preferred A Share	-	Financial assets at fair value through other comprehensive income - non-current	34,000	974	-	974	
	<u>Corporate bond</u>							
	Altria Group, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	-	1,117	-	1,117	
	AT&T Inc.	-	Financial assets at fair value through other comprehensive income - non-current	-	30,433	-	30,433	
	Boeing Co.	-	Financial assets at fair value through other comprehensive income - non-current	-	31,537	-	31,537	
	British Telecommunications	-	Financial assets at fair value through other comprehensive income - non-current	-	37,697	-	37,697	
	Electricité de France	-	Financial assets at fair value through other comprehensive income - non-current	-	32,540	-	32,540	
	Intel Corporation	-	Financial assets at fair value through other comprehensive income - non-current	-	31,347	-	31,347	
	Nasdaq Inc.	-	Financial assets at fair value through other comprehensive income - non-current	-	143,861	-	143,861	
	Philip Morris International	-	Financial assets at fair value through other comprehensive income - non-current	-	34,368	-	34,368	
	TSMC Arizona Corporation	-	Financial assets at fair value through other comprehensive income - non-current	-	29,068	-	29,068	
	United States of America-Bond	-	Financial assets at fair value through other comprehensive income - non-current	-	31,583	-	31,583	
	Cathay Life Insurance Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	30,705	-	30,705	

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

Note 2: For information about investment in subsidiaries and associates, please refer to Table 2.

KINIK COMPANY AND SUBSIDIARIES
**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Shares	%	Carrying Amount			
KINIK Company	Hongia Industry Co., Ltd.	New Taipei, Taiwan	Fabricated metal products manufacturing	\$ 96,525	\$ 96,525	2,925,000	100.0	\$ 83,330	\$ (5,194)	\$ (5,913)	Subsidiary
	KINKI-THAI CO., LTD.	Thailand	Fabricated metal products manufacturing	262,488	262,488	481,800	47.2	266,613	21,135	8,710	Subsidiary
	KINLI Investment Co., Ltd.	New Taipei, Taiwan	General investment	20,000	-	2,000,000	100.0	19,982	(18)	(18)	Subsidiary
	Yamamura Kinik Optical Co., Ltd.	Hsin-Chu, Taiwan	Glass and glass products	-	120,000	-	-	-	-	-	Associate (Note)
	Winsheng Material Technology Co., Ltd.	New Taipei, Taiwan	Electronic parts and components manufacturing	40,000	40,000	2,000,000	6.2	43,437	(108,414)	(7,091)	Associate

Note: On March 22, 2023, Yamamura Kinik Optical Co., Ltd. was approved by Ministry of Economic Affairs to be dissolved.

KINIK COMPANY AND SUBSIDIARIES
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			% to Total Sales or Assets
				Financial Statement Account	Amount	Payment Terms	
0	KINIK Company	Hongia Co., Ltd.	a	Sales revenue	\$ 12,650	No significant difference	-
		Hongia Co., Ltd.	a	Trade receivables and other receivables	3,067	No significant difference	-
		Hongia Co., Ltd.	a	Cost of goods sold	19,697	No significant difference	-
		Hongia Co., Ltd.	a	Trade payables and other payables	6,316	No significant difference	-
		Hongia Co., Ltd.	a	Other income	1,785	No significant difference	-
		KINIK-THAI CO., LTD.	a	Sales revenue	3,190	No significant difference	-
		KINIK-THAI CO., LTD.	a	Trade receivables and other receivables	1,612	No significant difference	-
		KINIK-THAI CO., LTD.	a	Cost of goods sold	43,297	No significant difference	1
		KINIK-THAI CO., LTD.	a	Trade payables and other payables	7,939	No significant difference	-
		KINIK-THAI CO., LTD.	a	Other income	569	No significant difference	-

Note 1: The parent company and its subsidiaries are coded as follows:

- a. The parent company is coded "0".
- b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationship is as follows:

- a. From the parent company to its subsidiary.
- b. From a subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: The aforementioned intercompany transactions have been eliminated upon consolidation.

KINIK COMPANY AND SUBSIDIARIES

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
KINIK-THAI CO., LTD.	Siam Kinik Sales Co., Ltd.	Related party in substance	Sale	\$ 156,272	38	Ne 120 days from the end of the month of when invoice is issued	Cost-plus pricing	No significant difference	\$ 67,777	60	

TABLE 5**KINIK COMPANY AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Jin Min Investment Co., Ltd.	9,892,423	6.82
Cathay Life Insurance Co., Ltd.	7,830,000	5.40

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.



VI. For the Most Recent Year until the Publication Date of the Annual Report, Financial Position Impacted by Insolvency Incidents Encountered by the Company and Affiliates Should be Detailed:

No such situation.

VII. Most Recent Standalone Financial Statements Audited by CPAs

Kinik Company

**Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kinik Company

Opinion

We have audited the accompanying financial statements of Kinik Company (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, based on our audits and the report of other auditors (please refer to the other matter paragraph), the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2023 is stated as follows:

Income Occurrence

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

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

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

1. We obtained an understanding of and evaluated the appropriateness of the accounting policies on revenue recognition.
2. We obtained an understanding of and evaluated the effectiveness of the internal control on revenue recognition and the occurrence of sales.
3. We selected samples and tested specific sales transactions of the current year and checked the relevant internal and external vouchers to support the facts of the shipment; we checked shipping and delivery receipts and payments received for any major abnormalities; we checked the general ledger of sales revenue for any significant debit amount; and we checked the sales returns and allowances ledger for any significant sales returns and discounts and confirmed that sales revenue transactions did occur.

Other Matter

We did not audit the financial statements of KINIK-THAI Co., Ltd., an investee of the Company which was accounted for using the equity method for the year ended December 31, 2023; however, such financial statements were audited by other auditors. Our opinion, insofar as it relates to the amounts included for KINIK-THAI Co., Ltd., is based solely on the reports of other auditors. As of December 31, 2023 and 2022, the aforementioned investment accounted for using the equity method were NT\$266,613 thousand and NT\$290,408 thousand, both representing 3% of the Company's total assets. For the years ended December 31, 2023 and 2022, the comprehensive income of the investee was NT\$10,836 thousand and NT\$44,563 thousand, representing 1% and 3% of the Company's comprehensive income.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Ming-Hsien Liu and Yung-Hsiang Chao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 27, 2024

Notice to Readers

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

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

KINIK COMPANY
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 662,555	7	\$ 832,727	9
Notes receivable (Note 9)	73,237	1	77,922	1
Trade receivables (Notes 9 and 26)	875,533	9	886,423	10
Other receivables (Note 26)	7,595	-	4,006	-
Inventories (Note 10)	1,767,682	19	1,577,224	17
Prepayments	32,097	-	22,811	-
Other current assets	4,900	-	4,185	-
Total current assets	<u>3,423,599</u>	<u>36</u>	<u>3,405,298</u>	<u>37</u>
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Notes 7 and 25)	128,820	1	12,809	-
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 25)	533,634	6	267,863	3
Investments accounted for using the equity method (Note 11)	413,362	4	427,296	5
Property, plant and equipment (Note 12)	4,120,937	44	4,440,273	49
Right-of-use assets (Notes 13 and 26)	44,520	1	40,944	1
Investment property (Notes 14 and 26)	358,683	4	365,594	4
Deferred tax assets (Note 21)	36,039	-	32,330	-
Prepayment for equipment	345,602	4	86,235	1
Guarantee deposit received	10,044	-	4,430	-
Net defined benefit assets - non-current (Note 17)	18,474	-	-	-
Other non-current assets	24,874	-	22,201	-
Total non-current assets	<u>6,034,989</u>	<u>64</u>	<u>5,699,975</u>	<u>63</u>
TOTAL	<u>\$ 9,458,588</u>	<u>100</u>	<u>\$ 9,105,273</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 15)	\$ 955,000	10	\$ 100,000	1
Trade payables (Note 26)	371,817	4	253,060	3
Other payables (Notes 16 and 26)	685,530	7	778,913	9
Current tax liabilities	134,276	2	232,919	3
Lease liabilities - current (Notes 13 and 26)	7,802	-	4,067	-
Current portion of long-term borrowings (Note 15)	-	-	500,000	5
Other current liabilities (Note 26)	23,250	-	39,859	-
Total current liabilities	<u>2,177,675</u>	<u>23</u>	<u>1,908,818</u>	<u>21</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 15)	200,000	2	500,000	6
Long-term bills payable (Note 15)	800,000	9	800,000	9
Deferred tax liabilities (Note 21)	46,362	1	47,274	1
Lease liabilities - non-current (Notes 13 and 26)	37,984	-	37,938	-
Net defined benefit liabilities - non-current (Note 17)	-	-	19,015	-
Guarantee deposit paid	2,274	-	6,023	-
Other non-current liabilities (Note 18)	25,925	-	24,475	-
Total non-current liabilities	<u>1,112,545</u>	<u>12</u>	<u>1,434,725</u>	<u>16</u>
Total liabilities	<u>3,290,220</u>	<u>35</u>	<u>3,343,543</u>	<u>37</u>
EQUITY (Note 19)				
Share capital				
Ordinary shares	1,449,435	15	1,437,337	16
Capital surplus				
Issuance of ordinary shares	277,560	3	201,375	2
Acquisition or disposal of subsidiary's shares	663	-	663	-
Changes in capital surplus from investments in associates accounted for using the equity method	28,795	-	28,232	-
Business combinations	1,007,999	11	1,007,999	11
Employee share options (Note 23)	84,640	1	51,464	1
Retained earnings				
Legal reserve	1,065,919	11	935,909	10
Special reserve	14,449	-	22,453	-
Unappropriated earnings	2,253,891	24	2,090,747	23
Other equity interests				
Exchange differences on translation of the financial statements of foreign operations	(450)	-	(2,576)	-
Unrealized gain - financial instrument at FVTOCI	(14,533)	-	(11,873)	-
Total equity	<u>6,168,368</u>	<u>65</u>	<u>5,761,730</u>	<u>63</u>
TOTAL	<u>\$ 9,458,588</u>	<u>100</u>	<u>\$ 9,105,273</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated February 27, 2024)

KINIK COMPANY
**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Note 26)	\$ 5,919,662	100	\$ 6,407,705	100
OPERATING COSTS (Notes 10, 20 and 26)	<u>(4,070,530)</u>	<u>(69)</u>	<u>(4,027,480)</u>	<u>(63)</u>
GROSS PROFIT	1,849,132	31	2,380,225	37
REALIZED GAIN ON THE TRANSACTIONS	874	-	1,957	-
UNREALIZED GAIN ON THE TRANSACTIONS	<u>(1,533)</u>	<u>-</u>	<u>(874)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>1,848,473</u>	<u>31</u>	<u>2,381,308</u>	<u>37</u>
OPERATING EXPENSES (Notes 20 and 26)				
Selling and marketing expenses	(468,012)	(8)	(603,133)	(9)
General and administrative expenses	(249,936)	(4)	(257,633)	(4)
Research and development expenses	(156,505)	(2)	(164,037)	(3)
Expected credit gain	<u>512</u>	<u>-</u>	<u>3,177</u>	<u>-</u>
Total operating expenses	<u>(873,941)</u>	<u>(14)</u>	<u>(1,021,626)</u>	<u>(16)</u>
PROFIT FROM OPERATIONS	<u>974,532</u>	<u>17</u>	<u>1,359,682</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES (Notes 20 and 26)				
Interest income	59,449	1	5,660	-
Other income	40,117	1	60,028	1
Other gains and losses	19,651	-	103,141	2
Finance costs	(42,598)	(1)	(39,317)	(1)
Share of profit of subsidiaries and associates	<u>(4,312)</u>	<u>-</u>	<u>26,611</u>	<u>-</u>
Total non-operating income and expenses	<u>72,307</u>	<u>1</u>	<u>156,123</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,046,839	18	1,515,805	23
INCOME TAX EXPENSE (Note 21)	<u>(194,717)</u>	<u>(3)</u>	<u>(268,414)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>852,122</u>	<u>15</u>	<u>1,247,391</u>	<u>19</u>

(Continued)



KINIK COMPANY

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 17)	\$ 10,605	-	\$ 62,771	1
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(12,700)	-	(8,166)	-
Share of the other comprehensive income of associates accounted for using the equity method	783	-	2,492	-
Income tax relating to items that will not be reclassified subsequently to loss or profit (Note 21)	<u>(2,121)</u>	<u>-</u>	<u>(12,554)</u>	<u>-</u>
	<u>(3,433)</u>	<u>-</u>	<u>44,543</u>	<u>1</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	2,126	-	19,877	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income	<u>10,040</u>	<u>-</u>	<u>(3,707)</u>	<u>-</u>
	<u>12,166</u>	<u>-</u>	<u>16,170</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>8,733</u>	<u>-</u>	<u>60,713</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 860,855</u>	<u>15</u>	<u>\$ 1,308,104</u>	<u>20</u>
EARNINGS PER SHARE (Note 22)				
From continuing operations				
Basic	<u>\$ 5.91</u>		<u>\$ 8.71</u>	
Diluted	<u>\$ 5.84</u>		<u>\$ 8.53</u>	

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

(With Deloitte & Touche auditors' report dated February 27, 2024)

(Concluded)

KINIK COMPANY
**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Capital Surplus						Retained Earnings			Other Equity Interests		Total Equity
	Ordinary Shares	Issuance of Ordinary Shares	Acquisition or Disposal of Subsidiary's Shares	Change in Capital Surplus from Investments in Associates Accounted for Using the Equity Method	Business Combination	Employee Share Options	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2022	\$ 1,426,580	\$ 131,796	\$ 663	\$ 20,925	\$ 1,007,999	\$ 33,889	\$ 873,551	\$ -	\$ 1,275,738	\$ (22,453)	\$ -	\$ 4,748,688
Appropriation of the 2021 earnings												
Legal reserve	-	-	-	-	-	-	62,358	-	(62,358)	-	-	-
Special reserve	-	-	-	-	-	-	-	22,453	(22,453)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(400,280)	-	-	(400,280)
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	7,307	-	-	-	-	-	-	-	7,307
Share-based payment	10,757	69,579	-	-	-	17,575	-	-	-	-	-	97,911
Net profit for the year ended December 31, 2022	-	-	-	-	-	-	-	-	1,247,391	-	-	1,247,391
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	-	-	-	52,709	19,877	(11,873)	60,713
BALANCE AT DECEMBER 31, 2022	1,437,337	201,375	663	28,232	1,007,999	51,464	935,909	22,453	2,090,747	(2,576)	(11,873)	5,761,730
Appropriation of the 2022 earnings												
Legal reserve	-	-	-	-	-	-	130,010	-	(130,010)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	-	(576,239)	-	-	(576,239)
Special reserve reversed	-	-	-	-	-	-	-	(8,004)	8,004	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	-	-	563	-	-	-	-	-	-	-	563
Share-based payment	12,098	76,185	-	-	-	33,176	-	-	-	-	-	121,459
Net profit for the year ended December 31, 2023	-	-	-	-	-	-	-	-	852,122	-	-	852,122
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	-	-	-	9,267	2,126	(2,660)	8,733
BALANCE AT DECEMBER 31, 2023	\$ 1,449,435	\$ 277,560	\$ 663	\$ 28,795	\$ 1,007,999	\$ 84,640	\$ 1,065,919	\$ 14,449	\$ 2,253,891	\$ (450)	\$ (14,533)	\$ 6,168,368

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

(With Deloitte & Touche auditors' report dated February 27, 2024)

KINIK COMPANY
**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,046,839	\$ 1,515,805
Adjustments for:		
Depreciation expense	577,900	588,340
Amortization expense	5,473	5,080
Expected credit loss reversed on trade receivables	(512)	(3,177)
Net loss on fair value changes of financial assets at fair	8,989	2,191
Finance costs	42,598	39,317
Interest income	(59,449)	(5,660)
Dividend income	-	(274)
Compensation costs of employee share options	49,166	33,182
Share of loss (profit) of subsidiaries and associate	4,312	(26,611)
Gain on disposal of property, plant and equipment	(2,458)	(1,571)
Loss on inventory write-downs and retirement	49,446	33,641
Unrealized gain on the transactions	1,533	874
Realized gain on the transactions	(874)	(1,957)
Unrealized net loss on foreign currency exchange	5,175	2,638
Other (income) loss	-	1,761
Changes in operating assets and liabilities		
Notes receivable	4,685	15,156
Trade receivables	1,948	(25,965)
Other receivables	519	2,097
Inventories	(239,904)	(342,927)
Prepayments	(9,286)	464
Other current assets	(715)	(346)
Trade payables	120,116	42,754
Other payables	(98,734)	227,706
Other current liabilities	(16,609)	17,560
Net defined benefit plans	(26,884)	(20,842)
Other non-current liabilities	1,450	12
Cash generated from operations	1,464,724	2,099,248
Interest received	55,396	2,823
Dividend received	33,348	28,877
Interest paid	(42,302)	(41,433)
Income tax paid	(300,102)	(155,870)
Net cash generated from operating activities	<u>1,211,064</u>	<u>1,933,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(265,785)	(279,680)
Purchase of financial assets at amortized cost	-	(334,391)



Financial
Information

Most Recent Standalone Financial Statements
Audited by CPAs

Proceeds from sale of financial assets at amortized cost	-	334,391
Purchase of financial assets at fair value through comprehensive income	(125,000)	(15,000)
		(Continued)

KINIK COMPANY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	2023	2022
Acquisition of investments accounted for using the equity method	\$ (20,000)	\$ -
Payments for property, plant and equipment	(497,857)	(172,194)
Proceeds from disposal of property, plant and equipment	2,458	2,425
Increase in refundable deposits	(5,614)	(85)
Increase in other non-current assets	<u>(8,146)</u>	<u>(800)</u>
Net cash used in investing activities	<u>(919,944)</u>	<u>(465,334)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	855,000	-
Decrease in short-term borrowings	-	(600,000)
Repayment of long-term borrowings	(800,000)	(1,300,000)
Decrease in guarantee deposits received	(3,749)	(8,268)
Repayment of the principal portion of lease liabilities	(7,684)	(4,491)
Dividends paid to owners of the Company	(576,239)	(400,280)
Proceeds from employee share options exercised	<u>71,380</u>	<u>64,120</u>
Net cash used in financing activities	<u>(461,292)</u>	<u>(2,248,919)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(170,172)	(780,608)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>832,727</u>	<u>1,613,335</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 662,555</u>	<u>\$ 832,727</u>

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

(With Deloitte & Touche auditors' report dated February 27, 2024)

(Concluded)

KINIK COMPANY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Company’s shares have been listed on the Taiwan Stock Exchange (TWSE) since January 1, 2005.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on February 27, 2024.

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

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

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

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and

leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights exist at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company, which may have difficulty complying with the covenants and repaying its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such an option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

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

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

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

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

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

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

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

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

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

from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

h. Property, plant and equipment

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

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

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

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

i. Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent

of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

1. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

Financial assets are classified into following categories: Financial assets at FVTPL, investment in debt instruments at FVTOCI, and investment in equity instruments at FVTOCI. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value and remeasurement gains or losses on such financial assets are recognized in gains and losses. Fair value is determined in the manner described in Note 25.

ii. Financial assets at amortized cost

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

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

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

iii. Investments in debt instruments at FVTOCI

If the Corporation's investments in debt instruments satisfy the following two conditions, they will be classified as financial assets at FVTOCI:

- i) Such investments are held in a certain business operation mode and the purpose of the mode can be achieved by obtaining contractual cash flows and selling financial assets; and
- ii) Cash flows are generated on a specific date under the terms of a contract, and the cash flows are completely used for paying the principal and interest on the outstanding principal amount.

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

iv. Investments in equity instruments measured at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments

that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method:

b) Derecognition of financial liabilities

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

m. Provisions

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

n. Revenue recognition

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

For contracts where the period between the date on which the Company transfers a promised good or

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

Revenue from the sale of goods

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

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

o. Leases

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

1) The Company as lessor

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

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

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

2) The Company as lessee

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

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

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

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

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

p. Borrowing costs

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

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

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

q. Government grants

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

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

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

r. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

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

s. Employee share options

1) Employee share options

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

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

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

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

t. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

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

3) Current tax and deferred tax for the year

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The accounting policies, estimates and basic assumptions adopted by the Company have no material accounting judgments, assumptions and estimation uncertainty based on the evaluation of the Company's management.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Cash on hand	\$ 294	\$ 383
Checking accounts and demand deposits	407,742	352,405
Time deposits	<u>254,519</u>	<u>479,939</u>
	<u>\$ 662,555</u>	<u>\$ 832,727</u>

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

	<u>December 31</u>	
	2023	2022
Bank balance	0.001%-5.50%	0.001%-4.82%

7. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2023	2022
<u>Non-current</u>		
Domestic investments		
Limited partnership	<u>\$ 128,820</u>	<u>\$ 12,809</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	2023	2022
<u>Non-current</u>		
Investments in equity instruments		
Domestic listed shares and emerging market shares	\$ 99,378	\$ 81,994
Investments in debt instruments		
Foreign corporate bonds	<u>434,256</u>	<u>185,869</u>
	<u>\$ 533,634</u>	<u>\$ 267,863</u>

These special equity instruments of domestic listed shares and foreign corporate bonds are held for medium

to long-term strategic purposes and except to make profit through long-term investment. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 73,678	\$ 78,363
Less: Allowance for impairment loss	<u>(441)</u>	<u>(441)</u>
	<u>\$ 73,237</u>	<u>\$ 77,922</u>
<u>Trade receivables (including related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 877,091	\$ 888,524
Less: Allowance for impairment loss	<u>(1,558)</u>	<u>(2,101)</u>
	<u>\$ 875,533</u>	<u>\$ 886,423</u>

a. Trade receivable

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

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. Overdue trade receivables as of December 31, 2023 and 2022 were both provided with allowance of 0%-100%.

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

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>



Not due	\$ 848,963	\$ 853,472
1-60 days	22,861	29,465
61-90 days	2,899	1,802
91-180 days	810	2,283
More than 181 days	<u>1,558</u>	<u>1,502</u>
	<u>\$ 877,091</u>	<u>\$ 888,524</u>

The above aging schedule was based on the number of overdue days from the posting date.

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 2,101	\$ 9,881
Less: Net reversed of loss allowance	(512)	(3,177)
Less: Amounts written off	<u>(31)</u>	<u>(4,603)</u>
Balance at December 31	<u>\$ 1,558</u>	<u>\$ 2,101</u>

b. Notes receivable

The aging of notes receivable was as follows:

	December 31	
	2023	2022
Not due	\$ 73,678	\$ 78,363
Due	<u>-</u>	<u>-</u>
	<u>\$ 73,678</u>	<u>\$ 78,363</u>

The above aging schedule was based on the number of overdue days from the posting date.

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

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 441	\$ 441
Less: Net reversed of loss allowance	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 441</u>	<u>\$ 441</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Merchandise and finished goods	\$ 755,797	\$ 733,605
Work in progress	305,527	244,722
Raw materials	652,902	549,663
Supplies	<u>53,456</u>	<u>49,234</u>
	<u>\$ 1,767,682</u>	<u>\$ 1,577,224</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Cost of inventories sold	\$ 4,021,084	\$ 3,993,839
Loss on inventory write-downs and retirement	<u>49,446</u>	<u>33,641</u>
	<u>\$ 4,070,530</u>	<u>\$ 4,027,480</u>

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Investments in subsidiaries	\$ 369,925	\$ 377,311
Investments in associates	<u>43,437</u>	<u>49,965</u>
	<u>\$ 413,362</u>	<u>\$ 427,296</u>

a. Investments in subsidiaries

	<u>Proportion of Ownership and Voting Rights</u>	
	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Hongia Industry Co., Ltd.	100.0%	100.0%
Kinik-Thai Co., Ltd.	47.2%	47.2%
KINLI Investment Co., Ltd.	100.0%	-

The Company established new subsidiary, KINLI Investment Co., Ltd., in November 2023.

The Company holds 47.2% of the issued share capital of Kinik-Thai Co., Ltd. which is the biggest shareholder and holds more than half of the total number of seats in the board of directors. Hence, the Company lists it as a subsidiary company.

b. Investments in associates

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

	2023		2022	
	Amount	%	Amount	%
Yamamura Kinik Optical Co., Ltd.	\$ -	-	\$ -	30.0
Nano-Tem International Taiwan, Co.	-	-	-	-
Winsheng Material Technology Co., Ltd.	<u>43,437</u>	6.2	<u>49,965</u>	6.2
	<u>\$ 43,437</u>		<u>\$ 49,965</u>	

Yamamura Kinik Optical Co., Ltd.

On June 1, 2022, the board of directors approved to dissolve Yamamura Kinik Optical Co., Ltd. The full amount of impairment loss was recognized after the Company's management performed impairment testing on November 30, 2021. On March 22, 2023, the Company was approved by Ministry of Economic Affairs to be dissolved.

Nano-Tem International Taiwan, Co.

On April 30, 2022, the shareholders' meeting approved to dissolve Nano-Tem International Taiwan, Co. The Company recognized investment profit or loss under the equity method until the date of dissolution, and the liquidation of the Nano-Tem International Taiwan, Co. was completed on August 30, 2022.

Winsheng Material Technology Co., Ltd.

The Company's percentage of ownership in individual immaterial associates is less than 20%. However, the Group is still able to exercise significant influence over Winsheng Material Technology Co., Ltd. since it has joined the board of directors of Winsheng Material Technology Co., Ltd.

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2023	2022
The Company's share of:		
Loss from continuing operations	\$ (7,091)	\$ (6,278)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>\$ (7,091)</u>	<u>\$ (6,278)</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2023	\$ 1,213,957	\$ 2,257,394	\$ 3,620,923	\$ 70,866	\$ 1,236,550	\$ 8,399,690
Additions	-	2,230	196,780	16,950	27,804	243,764
Disposals	-	-	(6,957)	(11,024)	(2,270)	(20,251)
Reclassification	<u>-</u>	<u>1,745</u>	<u>-</u>	<u>-</u>	<u>(2,474)</u>	<u>(729)</u>
Balance at December 31, 2023	<u>\$ 1,213,957</u>	<u>\$ 2,261,369</u>	<u>\$ 3,810,746</u>	<u>\$ 76,792</u>	<u>\$ 1,259,610</u>	<u>\$ 8,622,474</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2023	\$ -	\$ 843,862	\$ 2,426,818	\$ 52,633	\$ 636,104	\$ 3,959,417
Depreciation expense	-	104,999	319,367	7,940	130,393	562,699
Disposals	-	-	(6,957)	(11,024)	(2,270)	(20,251)
Reclassification	<u>-</u>	<u>(163)</u>	<u>-</u>	<u>-</u>	<u>(165)</u>	<u>(328)</u>



Balance at December 31, 2023	\$ <u> -</u>	\$ <u>948,698</u>	\$ <u>2,739,228</u>	\$ <u>49,549</u>	\$ <u>764,062</u>	\$ <u>4,501,537</u>
Carrying amount at December 31, 2023	\$ <u>1,213,957</u>	\$ <u>1,312,671</u>	\$ <u>1,071,518</u>	\$ <u>27,243</u>	\$ <u>495,548</u>	\$ <u>4,120,937</u>
						(Continued)
	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>						
Balance at January 1, 2022	\$ 1,213,957	\$ 2,253,864	\$ 3,425,768	\$ 70,653	\$ 1,221,628	\$ 8,185,870
Additions	-	3,530	213,247	8,568	20,166	245,511
Disposals	-	-	(18,092)	(8,355)	(5,244)	(31,691)
Reclassification	-	-	-	-	-	-
Balance at December 31, 2022	\$ <u>1,213,957</u>	\$ <u>2,257,394</u>	\$ <u>3,620,923</u>	\$ <u>70,866</u>	\$ <u>1,236,550</u>	\$ <u>8,399,690</u>
<u>Accumulated depreciation</u>						
Balance at January 1, 2022	\$ -	\$ 738,493	\$ 2,111,730	\$ 53,205	\$ 510,333	\$ 3,413,761
Depreciation expense	-	105,369	333,158	6,950	131,016	576,493
Disposals	-	-	(18,070)	(7,522)	(5,245)	(30,837)
Reclassification	-	-	-	-	-	-
Balance at December 31, 2022	\$ <u> -</u>	\$ <u>843,862</u>	\$ <u>2,426,818</u>	\$ <u>52,633</u>	\$ <u>636,104</u>	\$ <u>3,959,417</u>
Carrying amount at December 31, 2022	\$ <u>1,213,957</u>	\$ <u>1,413,532</u>	\$ <u>1,194,105</u>	\$ <u>18,233</u>	\$ <u>600,446</u>	\$ <u>4,440,273</u>
						(Concluded)

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

Building	
Main buildings	7-50 years
Power equipment	8-10 years
Others	3-15 years
Machinery equipment	
Production equipment	3-8 years
Instrument	4-8 years
Transportation equipment	3-5 years
Other equipment	
Computer equipment	3-5 years
Others	3-5 years

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	Land	Plant	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 45,582	\$ 9,618	\$ 55,200
Additions	368	11,127	11,495
Disposals	<u>(725)</u>	<u>-</u>	<u>(725)</u>
Balance at December 31, 2023	\$ <u>45,225</u>	\$ <u>20,745</u>	\$ <u>65,970</u>
			(Continued)



	Land	Plant	Total
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2023	\$ 10,528	\$ 3,728	\$ 14,256
Depreciation expense	2,904	4,985	7,889
Disposals	<u>(695)</u>	<u>-</u>	<u>(695)</u>
Balance at December 31, 2023	<u>\$ 12,737</u>	<u>\$ 8,713</u>	<u>\$ 21,450</u>
Carrying amount at December 31, 2023	<u>\$ 32,488</u>	<u>\$ 12,032</u>	<u>\$ 44,520</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 45,582	\$ 7,614	\$ 53,196
Additions	-	6,218	6,218
Disposals	<u>-</u>	<u>(4,214)</u>	<u>(4,214)</u>
Balance at December 31, 2022	<u>\$ 45,582</u>	<u>\$ 9,618</u>	<u>\$ 55,200</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2022	\$ 7,628	\$ 4,430	\$ 12,058
Depreciation expense	2,900	1,756	4,656
Disposals	<u>-</u>	<u>(2,458)</u>	<u>(2,458)</u>
Balance at December 31, 2022	<u>\$ 10,528</u>	<u>\$ 3,728</u>	<u>\$ 14,256</u>
Carrying amount at December 31, 2022	<u>\$ 35,054</u>	<u>\$ 5,890</u>	<u>\$ 40,944</u> (Concluded)

Other than the above additions and depreciation expense recognized, there were no significant subleases or impairments of the Company's right-of-use assets in December 31, 2023 and 2022.

b. Lease liabilities

	December 31	
	2023	2022
<u>Carrying amount</u>		
Current	<u>\$ 7,802</u>	<u>\$ 4,067</u>
Non-current	<u>\$ 37,984</u>	<u>\$ 37,938</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2023	2022
Land	1.11%-1.82%	0.84%-1.20%
Buildings	1.19%-1.93%	0.84%-1.20%

c. Other lease information

	For the Year Ended December 31	
	2023	2022
Expenses relating to short-term leases	<u>\$ 2,496</u>	<u>\$ 2,524</u>
Expenses relating to low-value asset leases	<u>\$ 133</u>	<u>\$ 69</u>
Total cash outflow for leases	<u>\$ (10,928)</u>	<u>\$ (7,562)</u>

Operating leases relate of leases investment properties please refer to Note 14.

The Company's leases of certain assets qualify as short-term leases and leases of certain assets qualify as low-value asset leases. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

14. INVESTMENT PROPERTIES

	Land	Plant	Total
<u>Cost</u>			
Balance at January 1, 2023	\$ 325,341	\$ 77,469	\$ 402,810
Additions	-	-	-
Reclassification	<u>-</u>	<u>729</u>	<u>729</u>
Balance at December 31, 2023	<u>\$ 325,341</u>	<u>\$ 78,198</u>	<u>\$ 403,539</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2023	\$ -	\$ 37,216	\$ 37,216
Depreciation expense	-	7,312	7,312
Reclassification	<u>-</u>	<u>328</u>	<u>328</u>
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 44,856</u>	<u>\$ 44,856</u>
Carrying amount at December 31, 2023	<u>\$ 325,341</u>	<u>\$ 33,342</u>	<u>\$ 358,683</u>
<u>Cost</u>			
Balance at January 1, 2022	\$ 325,341	\$ 77,469	\$ 402,810
Additions	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 325,341</u>	<u>\$ 77,469</u>	<u>\$ 402,810</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2022	\$ -	\$ 30,025	\$ 30,025
Depreciation expense	<u>-</u>	<u>7,191</u>	<u>7,191</u>
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 37,216</u>	<u>\$ 37,216</u>
Carrying amount at December 31, 2022	<u>\$ 325,341</u>	<u>\$ 40,253</u>	<u>\$ 365,594</u>

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

	December 31	
	2023	2022
Year 1	\$ 11,969	\$ 10,428
Year 2	9,669	10,997
Year 3	240	9,312
Year 4	240	-
Year 5	<u>40</u>	<u>-</u>
	<u>\$ 22,158</u>	<u>\$ 30,737</u>

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

	December 31	
	2023	2022
Fair value	<u>\$ 766,663</u>	<u>\$ 744,848</u>

15. BORROWINGS

a. Short-term borrowings

	December 31	
	2023	2022
Line of credit and unsecured borrowings	<u>\$ 955,000</u>	<u>\$ 100,000</u>

The range of weighted average effective interest rates on short-term borrowings was 1.45%-1.69% and 1.43% per annum at December 31, 2023 and 2022, respectively.

b. Long-term borrowings

	December 31	
	2023	2022
<u>Unsecured borrowings</u>		
Credit borrowings	\$ 200,000	\$ 1,000,000
Less: Current portion	<u>-</u>	<u>(500,000)</u>
Long-term borrowings	<u>\$ 200,000</u>	<u>\$ 500,000</u>

The range of weighted average effective interest rates on long-term borrowings was 1.78% and 1.97%-2.06% per annum at December 31, 2023 and 2022, respectively.

The borrowings obtained in December 31, 2023 and 2022 are due from June 6, 2025 and September 30, 2023 to July 9, 2024.

c. Long-term notes payable

	December 31	
	2023	2022
Commercial paper	\$ 800,000	\$ 800,000
Less: Unamortized discounts on notes payable	<u>-</u>	<u>-</u>
	<u>\$ 800,000</u>	<u>\$ 800,000</u>

The Company signed a floating rate commercial paper underwriting contract with Bank of Taiwan. The contract expires on January 18, 2026. During the period, the Company only has to pay a handling fee and interest. Hence, this liability is under long-term notes payable. The effective interest rate at December 31, 2023 and 2022 was 2.079% and 1.95%, respectively.

16. OTHER PAYABLES

	December 31	
	2023	2022
Payables for payroll and bonus	\$ 391,743	\$ 522,322
Payables for annual leave	62,049	58,918
Payables for repairs and maintenance	44,489	24,606
Others	<u>187,249</u>	<u>173,067</u>
	<u>\$ 685,530</u>	<u>\$ 778,913</u>

17. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

policy and strategy.

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

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 551,682	\$ 584,665
Fair value of plan assets	<u>(570,156)</u>	<u>(565,650)</u>
Net defined benefit (assets) liabilities	<u>\$ (18,474)</u>	<u>\$ 19,015</u>

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	\$ 636,760	\$ (534,132)	\$ 102,628
Service cost			
Current service cost	3,857	-	3,857
Net interest expense (income)	<u>3,179</u>	<u>(2,716)</u>	<u>463</u>
Recognized in profit or loss	<u>7,036</u>	<u>(2,716)</u>	<u>4,320</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(42,004)	(42,004)
Actuarial loss - change in demographic assumptions	1,203	-	1,203
Actuarial gain - changes in financial assumptions	(26,844)	-	(26,844)
Actuarial loss - experience adjustments	<u>4,874</u>	<u>-</u>	<u>4,874</u>
Recognized in other comprehensive loss	<u>(20,767)</u>	<u>(42,004)</u>	<u>(62,771)</u>
Contributions from the employer	-	(19,352)	(19,352)
Benefits paid - from plan assets	(32,554)	32,554	-
Benefits paid - from company	<u>(5,810)</u>	<u>-</u>	<u>(5,810)</u>
Balance at December 31, 2022	<u>584,665</u>	<u>(565,650)</u>	<u>19,015</u>
Service cost			
Current service cost	2,759	-	2,759
Net interest expense (income)	<u>8,770</u>	<u>(8,635)</u>	<u>135</u>
Recognized in profit or loss	<u>11,529</u>	<u>(8,635)</u>	<u>2,894</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,428)	(3,428)
Actuarial loss - changes in demographic assumptions	11,294	-	11,294
Actuarial gain - experience adjustments	<u>(18,471)</u>	<u>-</u>	<u>(18,471)</u>
Recognized in other comprehensive loss	<u>(7,177)</u>	<u>(3,428)</u>	<u>(10,605)</u>
Contributions from the employer	-	(19,428)	(19,428)
Benefits paid - from plan assets	(26,985)	26,985	-
Benefits paid - from company	<u>(10,350)</u>	<u>-</u>	<u>(10,350)</u>
Balance at December 31, 2023	<u>\$ 551,682</u>	<u>\$ (570,156)</u>	<u>\$ (18,474)</u>

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

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

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

	December 31	
	2023	2022
Discount rate(s)	1.25%	1.50%
Expected rate(s) of salary increase	2.50%	2.50%

The mortality rate in 2023 and 2022 are both based on the sixth experience life tables of Taiwan's life insurance industry. The disability rate is 10% of the expected mortality rate.

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

	December 31	
	2023	2022
Discount rate(s)		
0.25% increase	<u>\$ (11,295)</u>	<u>\$ (12,426)</u>
0.25% decrease	<u>\$ 11,662</u>	<u>\$ 12,840</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 11,315</u>	<u>\$ 12,492</u>
0.25% decrease	<u>\$ (11,017)</u>	<u>\$ (12,152)</u>

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

December 31	
2023	2022



Expected contributions to the plan for the next year	<u>\$ 19,320</u>	<u>\$ 20,000</u>
Average duration of the defined benefit obligation	8.3 years	8.7 years

18. OTHER NON-CURRENT LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Long-term provisions for employee benefits	<u>\$ 25,925</u>	<u>\$ 24,475</u>

19. EQUITY

a. Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>144,944</u>	<u>143,734</u>
Shares issued	<u>\$ 1,449,435</u>	<u>\$ 1,437,337</u>

The change in the Company's share capital is mainly due to the exercise of employee share options.

There are 252 thousand shares that have not completed change registration with the Ministry of Economic Affairs before the approval issuance date of the annual financial statements.

b. Capital surplus

The capital surplus arising from shares issued in excess of par (including share premium from issuance of ordinary shares and treasury share transactions) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year). The capital surplus from changes in capital surplus from investments in associates accounted for using the equity method may only be used to offset deficit. The capital surplus arising from employee share options may not be used for any purpose.

c. Retained earnings and dividends policy

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

The Company's Articles also stipulate a dividend policy whereby the issuance of share dividends takes precedence over the payment of cash dividends. In principle, cash dividends are limited to 20% of the total dividends distributed.

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

On June 22, 2022, the shareholders' meeting approved the amendment to the articles of association and specifying that - The company sets aside the special surplus reserve for the net amount of other equity deductions accumulated in the prior period, if the undistributed earnings of the prior period is insufficient to be provide from the net profit before tax of the current period and plus the amount of other than the net profit after tax in the undistributed earnings of the current period. Before the revision of the articles of association, the Company withdrawn from the undistributed earnings of the prior period in accordance with the law.

The shareholders of the company held their regular meeting on June 20, 2023, and in that meeting, resolved the amendments to all or part of the above-mentioned distribution of dividends and bonuses is made in the form of cash distribution, the board of directors shall be authorized to do so with the presence of more than two-thirds of the directors and the consent of more than half of the directors present, and report to the shareholders' meeting.

The appropriations of earnings for 2022 and 2021 have been approved in the shareholders' meetings on June 20, 2023 and June 22, 2022, respectively; the amounts were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2022	2021
Legal reserve	\$ 130,010	\$ 62,358
Special reserve	\$ (8,004)	\$ 22,453
Cash dividends	\$ 576,239	\$ 400,280
Cash dividends per share (NT\$)	\$ 4.0	\$ 2.8

The appropriations of earnings for 2023 were as follows:

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

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

The Company's board of directors resolved to distribute cash dividends on February 27, 2024; the retained earnings are to be presented for approval in the Company's shareholders' meeting to be held on June 24, 2024.

20. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2023	2022
Bank deposits	\$ 39,022	\$ 3,361
Financial assets at amortized cost	-	1,767
Investments in equity instruments at fair value through other comprehensive income	<u>20,427</u>	<u>532</u>
	<u>\$ 59,449</u>	<u>\$ 5,660</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Government grants	\$ 20,142	\$ 34,319
Rent income (Note 27)	11,545	14,953
Others	<u>8,430</u>	<u>10,756</u>
	<u>\$ 40,117</u>	<u>\$ 60,028</u>

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment	\$ 2,458	\$ 1,571
Net loss on fair value changes of financial assets at fair value through profit and loss	(8,989)	(2,191)
Net foreign exchange gains	27,572	106,017
Others	<u>(1,390)</u>	<u>(2,256)</u>
	<u>\$ 19,651</u>	<u>\$ 103,141</u>

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest on bank loans	\$ 41,983	\$ 38,839
Interest on lease liabilities	<u>615</u>	<u>478</u>

\$ 42,598

\$ 39,317

e. Depreciation and amortization

	For the Year Ended December 31	
	2023	2022
An analysis of depreciation by function		
Operating costs	\$ 522,288	\$ 543,108
Operating expenses	<u>55,612</u>	<u>45,232</u>
	<u>\$ 577,900</u>	<u>\$ 588,340</u>
An analysis of amortization by function		
Operating costs	\$ 3,067	\$ 3,036
Operating expenses	<u>2,406</u>	<u>2,044</u>
	<u>\$ 5,473</u>	<u>\$ 5,080</u>

f. Employee benefits expense

	For the Year Ended December 31					
	2023			2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Defined contribution plans	\$ 44,071	\$ 11,610	\$ 55,681	\$ 43,855	\$ 10,771	\$ 54,626
Defined benefit plans (Note 17)	2,245	649	2,894	3,361	959	4,320
Share-based payments	38,574	10,592	49,166	26,069	7,113	33,182
Other employee benefits expense	<u>1,264,310</u>	<u>351,294</u>	<u>1,615,604</u>	<u>1,369,653</u>	<u>389,390</u>	<u>1,759,043</u>
Total employee benefits expense	<u>\$ 1,349,200</u>	<u>\$ 374,145</u>	<u>\$ 1,723,345</u>	<u>\$ 1,442,938</u>	<u>\$ 408,233</u>	<u>\$ 1,851,171</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors at the rates no less than 1% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2023 and 2022 which have been approved by the Company's board of directors on February 27, 2024 and February 23, 2023, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2023	2022
	Cash	Cash
Compensation of employees	\$ 104,500	\$ 150,000
Remuneration of directors	13,800	13,200

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

There was no difference between the actual amounts paid for compensation of employees and remuneration of directors and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

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

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 218,847	\$ 292,251
Income tax on unappropriated earnings	-	-
Adjustments for prior year	<u>(17,388)</u>	<u>(36,109)</u>
	<u>201,459</u>	<u>256,142</u>
Deferred tax		
In respect of the current year	<u>(6,742)</u>	<u>12,272</u>
Income tax expense recognized in profit or loss	<u>\$ 194,717</u>	<u>\$ 268,414</u>

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

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 1,046,839</u>	<u>\$ 1,515,805</u>
Income tax expense calculated at the statutory rate	\$ 209,368	\$ 303,161
Nondeductible expenses in determining taxable income	2,737	1,362
Adjustments for prior years' tax	<u>(17,388)</u>	<u>(36,109)</u>
Income tax expense recognized in profit or loss	<u>\$ 194,717</u>	<u>\$ 268,414</u>

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2023



	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 11,008	\$ 2,501	\$ -	\$ 13,509
Defined benefit plans	3,477	(3,477)	-	-
Payables for annual leave	11,784	626	-	12,410
Others	<u>6,061</u>	<u>4,059</u>	<u>-</u>	<u>10,120</u>
	<u>\$ 32,330</u>	<u>\$ 3,709</u>	<u>\$ -</u>	<u>\$ 36,039</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized revaluation increment	\$ 36,754	\$ -	\$ -	\$ 36,754
Defined benefit plans	-	1,894	2,121	4,015
Others	<u>10,520</u>	<u>(4,927)</u>	<u>-</u>	<u>5,593</u>
	<u>\$ 47,274</u>	<u>\$ (3,033)</u>	<u>\$ 2,121</u>	<u>\$ 46,362</u>

(Concluded)

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized loss on inventories	\$ 18,948	\$ (7,940)	\$ -	\$ 11,008
Defined benefit plans	20,212	(4,181)	(12,554)	3,477
Payables for annual leave	11,154	630	-	11,784
Others	<u>5,871</u>	<u>190</u>	<u>-</u>	<u>6,061</u>
	<u>\$ 56,185</u>	<u>\$ (11,301)</u>	<u>\$ (12,554)</u>	<u>\$ 32,330</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized revaluation increment	\$ 36,754	\$ -	\$ -	\$ 36,754
Others	<u>9,549</u>	<u>971</u>	<u>-</u>	<u>10,520</u>
	<u>\$ 46,303</u>	<u>\$ 971</u>	<u>\$ -</u>	<u>\$ 47,274</u>

c. Income tax assessments



The tax returns through 2021 have been assessed by the tax authorities, and the Company agrees with the assessment.

22. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2023	2022
Profit for the year attributable to owners of the Company	\$ 852,122	\$ 1,247,391
Effect of potentially dilutive ordinary shares:		
Employee stock option	-	-
Compensation of employees or bonus issue to employees	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 852,122</u>	<u>\$ 1,247,391</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2023	2022
Weighted average number of ordinary shares used in computation of basic earnings per share	144,291	143,242
Effect of potentially dilutive ordinary shares		
Employee share options	896	1,414
Compensation of employees or bonus issue to employees	<u>734</u>	<u>1,549</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>145,921</u>	<u>146,205</u>

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

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

23. SHARE-BASED PAYMENT ARRANGEMENTS
Employee Share Option Plan of the Company

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

	2023		2022	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	167	\$ 58.0	777	\$ 59.1
Options granted	-	-	-	-
Options exercised	(99)	57.3	(610)	58.8
Options forfeited	-	-	-	-
Balance at December 31	<u>68</u>	56.1	<u>167</u>	58.0
Options exercisable, end of period	<u>68</u>		<u>167</u>	

Information on outstanding options as of December 31, 2023 and 2022 was as follows:

	December 31	
	2023	2022
Range of exercise price (\$)	\$56.1	\$58.0
Weighted-average remaining contractual life (in years)	0.5	1.5

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

	For the Year Ended December 31			
	2023		2022	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	2,014	\$ 60.6	2,480	\$ 61.7
Options granted	-	-	-	-
Options exercised	(1,111)	59.2	(466)	60.6
Options forfeited	<u>(5)</u>	-	<u>-</u>	-
Balance at December 31	<u>898</u>	58.6	<u>2,014</u>	60.6
Options exercisable, end of the year	<u>898</u>		<u>774</u>	

Information on outstanding options as of December 31, 2023 and 2022 was as follows:

	December 31	
	2023	2022
Range of exercise price (\$)	\$58.6	\$60.6
Weighted-average remaining contractual life (in years)	2.5	3.5

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

	For the Year Ended December 31			
	2023		2022	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	2,500	\$ 160.0	-	\$ -
Options granted	-	-	2,500	160.0
Options exercised	-	-	-	-
Options forfeited	<u>(58)</u>	-	<u>-</u>	-



Balance at December 31	<u>2,442</u>	154.8	<u>2,500</u>	160.0
Options exercisable, end of the year	<u>-</u>		<u>-</u>	

Information on outstanding options as of December 31, 2023 and 2022 was as follows:

	<u>December 31</u>	
	2023	2022
Range of exercise price (\$)	\$154.80	\$160.00
Weighted-average remaining contractual life (in years)	4.57	5.57

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

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

Expected volatility was based on the expected life.

Compensation cost recognized was \$49,166 thousand and \$33,182 thousand for years ended December 31, 2023 and 2022, respectively.

24. CAPITAL MANAGEMENT

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

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

25. FINANCIAL INSTRUMENTS

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

The Company's management consider the book value of not measured at fair value financial assets and financial liabilities as approximate fair value or there is no basis for fair value measurement.

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

1) Fair value hierarchy

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Limited partnership	\$ -	\$ -	\$ 128,820	\$ 128,820
Financial assets at FVTOCI Investments in equity instruments Domestic listed shares and emerging market shares	99,378	-	-	99,378
Investments in debt instruments Foreign corporate bonds	<u>434,256</u>	<u>-</u>	<u>-</u>	<u>434,256</u>
	<u>\$ 533,634</u>	<u>\$ -</u>	<u>\$ 128,820</u>	<u>\$ 662,454</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL Limited partnership	\$ -	\$ -	\$ 12,809	\$ 12,809
Financial assets at FVTOCI Investments in equity instruments Domestic listed shares and emerging market shares	81,994	-	-	81,994
Investments in debt instruments Foreign corporate bonds	<u>185,869</u>	<u>-</u>	<u>-</u>	<u>185,869</u>

\$ 267,863 \$ - \$ 12,809 \$ 280,672

There were no transfers between Level 1 and Level 2 fair value measurements in 2023 and 2022.

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

The Company's financial assets under Level 3 fair value measurement are equity instruments measured at fair value through profit or loss, the reconciliation of 2023 and 2022 were as follows:

	For the Year Ended December 31	
	2023	2022
Balance at January 1	\$ 12,809	\$ -
Purchases	125,000	15,000
Recognized in profit or loss (other gains and losses)	(8,989)	(2,191)
Balance at December 31	\$ <u>128,820</u>	\$ <u>12,809</u>

3) Level 3 fair value measurements valuation techniques and inputs

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

c. Types of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets measured at amortized cost (1)	\$ 1,628,964	\$ 1,805,508
Financial assets at fair value through other profit or loss	128,820	12,809
Financial assets at fair value through other comprehensive income		
Investment in equity instruments	99,378	81,994
Investments in debt instruments	434,256	185,869
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,544,041	2,341,189

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables (including related parties), other receivables and deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term and long-term loans (including current portion), long-term notes payable, and trade and other payables.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables, borrowings, long-term note payable and lease liabilities. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial

markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Company was mainly exposed to the USD.

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

	USD Impact	
	For the Year Ended December 31	
	2023	2022
Profit or loss*	\$ 53,431	\$ 51,983

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

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

b) Interest rate risk

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

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

	December 31	
	2023	2022
Fair value interest rate risk		
Financial assets	\$ 698,819	\$ 484,371
Financial liabilities	45,786	42,005
Cash flow interest rate risk		
Financial assets	402,684	339,645
Financial liabilities	1,955,000	1,900,000

Sensitivity analysis

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

If interest rates had been 10 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased by \$1,552 thousand and \$1,560 thousand, respectively.

c) Other price risk

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

Sensitivity analysis

If equity price has been 5% higher/lower, the other comprehensive profit and loss before tax for the year ended December 31, 2023 and 2022 will increase/decrease by \$4,969 thousand and \$4,100 thousand, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

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

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

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2023 and 2022, the Company had available unutilized short-term bank loan facilities set out in (b) below.

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

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

December 31, 2023

	On Demand or Less than 1 Month	1-6 Months	6 Months to 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 751,525	\$ 125,473	\$ 180,349	\$ -
Lease liabilities	603	3,140	4,575	40,352
Debt instrument	<u>392,875</u>	<u>573,927</u>	<u>10,179</u>	<u>1,018,983</u>
	<u>\$ 1,145,003</u>	<u>\$ 702,540</u>	<u>\$ 195,103</u>	<u>\$ 1,059,335</u>

Additional information on the maturity analysis of lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 8,318</u>	<u>\$ 17,443</u>	<u>\$ 22,909</u>

December 31, 2022

	On Demand or Less than 1 Month	1-6 Months	6 Months to 1 Year	More than 1 Year
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 585,309	\$ 223,977	\$ 222,687	\$ -
Lease liabilities	302	1,561	2,653	40,675
Debt instrument	<u>3,156</u>	<u>114,707</u>	<u>515,524</u>	<u>1,306,328</u>
	<u>\$ 588,767</u>	<u>\$ 340,245</u>	<u>\$ 740,864</u>	<u>\$ 1,347,003</u>



Additional information on the maturity analysis of lease liabilities

	Less than 1 Year	1-5 Years	5-10 Years
Lease liabilities	<u>\$ 4,516</u>	<u>\$ 15,244</u>	<u>\$ 25,431</u>
b) Credit line			
		December 31	
		2023	2022
Bank credit line			
Used credit		\$ 1,955,000	\$ 1,900,000
Unused credit		<u>3,855,000</u>	<u>4,120,000</u>
		<u>\$ 5,810,000</u>	<u>\$ 6,020,000</u>

26. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and relationships

<u>Related Party</u>	<u>Nature of Relationship</u>
Hongia Industry Co., Ltd.	Subsidiary
KINIK THAI CO., LTD.	Subsidiary
Yamamura Kinik Optical Co., Ltd.	Associate (until March 22, 2023)
Nano-Tem International Taiwan Co.	Associate (until August 30, 2022)
Winsheng Material Technology	Associate
Siam Kinik Sales Co., Ltd.	Related party in substance
WEBSTER CO., LTD.	Related party in substance
LI-HE INV. LTD. COMPANY	Related party in substance
Kinchuan Investment Co., Ltd.	Related party in substance
Lin, Po-Chuan	Related party in substance
Lin, Po-Yin	Related party in substance

b. Sales of goods

Account	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Sales revenue	Subsidiaries	\$ 15,840	\$ 29,009
	Associates	1,086	42
	Related party in substance	<u>3,740</u>	<u>3,807</u>
		<u>\$ 20,666</u>	<u>\$ 32,858</u>

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

Account	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Other income	Subsidiaries	\$ 2,354	\$ 2,149
	Related party in substance	222	252
	Associates	-	9
Operating lease income and other income	Yamamura Kinik Optical Co., Ltd.	<u>-</u>	<u>6,863</u>
		<u>\$ 2,576</u>	<u>\$ 9,273</u>

c. Purchases of goods and expense

Account	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Purchase	Subsidiaries	\$ 62,994	\$ 65,083
	Associates	<u>559</u>	<u>-</u>
		<u>\$ 63,553</u>	<u>\$ 65,083</u>
Expense	Subsidiaries	\$ 581	\$ 40
	Associates	<u>820</u>	<u>1,543</u>
		<u>\$ 1,401</u>	<u>\$ 1,583</u>

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

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

Account	Related Party Category/Name	December 31	
		2023	2022
Trade receivables	Subsidiaries	\$ 3,990	\$ 3,247
	Associates	510	44
	Related party in substance	<u>667</u>	<u>678</u>
		<u>\$ 5,167</u>	<u>\$ 3,969</u>
Other receivables	Subsidiaries	<u>\$ 689</u>	<u>\$ 759</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment loss was recognized for trade receivables from related parties.

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

Account	Related Party Category/Name	December 31	
		2023	2022
Trade payables	Subsidiaries	\$ 13,695	\$ 11,145
Other payables	Subsidiaries	\$ 560	\$ 77
	Related party in substance	50	-
		\$ 610	\$ 77

The outstanding trade payables to related parties are unsecured.

f. Lease arrangement

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
<u>Acquisition of right-of-use assets</u>		
Related party in substance	\$ -	\$ 3,475

Account	Related Party Category/Name	December 31	
		2023	2022
Lease liabilities	Related party in substance	\$ 2,813	\$ 3,496

Account	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Interest expense	Related party in substance	\$ 38	\$ 30

g. Acquisition of property, plant and equipment

Related Party Category/Name	Acquired Proceeds	
	For the Year Ended December 31 2023	2022
Yamamura Kinik Optical Co., Ltd.	\$ -	\$ 1,600

h. Lease arrangement - Company is lessor

The Company as lessor leases Dahu factory to Hongia Industry Co., Ltd. under operating leases with lease term of 5 years. The rental is based on similar properties and fixed lease payments are paid monthly. The balances of the gross lease payments receivable was \$1,000 thousand. The amount of lease income recognized for the year ended December 31, 2023 was \$200 thousand.

i. Other transactions with related parties

Account	Related Party Category/Name	For the Year Ended December 31	
		2023	2022
Others advance receipts	Associates	\$ <u> -</u>	\$ <u> 410</u>

j. Compensation of key management personnel

The amount of the remuneration of directors and key management personnel for the years ended December 31, 2023 and 2022 were as follows:

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 57,033	\$ 45,062
Post-employment benefits	662	812
Share-based payments	<u>17,053</u>	<u>12,021</u>
	<u>\$ 74,748</u>	<u>\$ 57,895</u>

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

27. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2023 and 2022 were as follows (amounts are in thousands of New Taiwan dollars):

Commitments for purchases of machinery and equipment were as follows:

	December 31	
	2023	2022
Total contract price		
USD	\$ 8,450	\$ 150
JPY	209,600	371,800
NTD	71,529	176,019
EUR	-	110
Unpaid amounts of the purchase		
USD	-	150
JPY	20,960	286,100
NTD	39,562	110,367
EUR	-	66

28. SIGNIFICANT EVENTS AFTER REPORTING PERIOD: NONE

29. OTHER ITEMS: NONE

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2023

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 36,924	30.705	\$ 1,133,759
JPY	321,833	0.2172	69,902
CNY	6,967	4.327	30,145
Non-monetary items			
Investments accounted for using the equity method			
THB	295,678	0.9017	266,613
<u>Financial liabilities</u>			
Monetary items			
USD	2,121	30.705	65,135
JPY	41,818	0.2172	9,083

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 36,200	30.71	\$ 1,116,759
JPY	78,086	0.2324	17,797
CNY	4,688	4.408	20,638
Non-monetary items			
Investments accounted for using the equity method			
THB	324,805	0.8941	290,408
<u>Financial liabilities</u>			
Monetary items			
USD	2,346	30.71	72,893
JPY	16,101	0.2324	3,584

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

Foreign Currency	For the Year Ended December 31			
	2023		2022	
	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Losses	Exchange Rate (Foreign Currency: Functional Currency)	Net Foreign Exchange Losses
NTD	1 (NTD:NTD)	<u>\$ 27,572</u>	1 (NTD:NTD)	<u>\$ 106,017</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others (None)
- 2) Endorsements/guarantees provided (None)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
- 9) Trading in derivative instruments (None)

b. Information about reinvestment business (Table 2)

c. Information on investments in mainland China (None)

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 3)

KINIK COMPANY

**MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kinik Company	<u>Share(s)</u>							
	Alliance Venture Capital Limited Partnership	-	Financial assets at fair value through profit or loss - non-current	-	\$ 24,832	16.67%	\$ 24,832	
	Wisdom Capital Limited Partnership	-	Financial assets at fair value through profit or loss - non-current	-	103,988	14.96%	103,988	
	China Development Financial Holding Corporation - Preferred B Share	-	Financial assets at fair value through other comprehensive income - non-current	11,945,000	84,451	0.06%	84,451	
	Shin Kong Financial Holding Co., Ltd. - Preferred B Share	-	Financial assets at fair value through other comprehensive income - non-current	487,000	13,953	-	13,953	
	Shin Kong Financial Holding Co., Ltd. - Preferred A Share	-	Financial assets at fair value through other comprehensive income - non-current	34,000	974	-	974	
	<u>Corporate bond</u>							
	Altria Group, Inc.	-	Financial assets at fair value through other comprehensive income - non-current	-	1,117	-	1,117	
	AT&T Inc.	-	Financial assets at fair value through other comprehensive income - non-current	-	30,433	-	30,433	
	Boeing Co.	-	Financial assets at fair value through other comprehensive income - non-current	-	31,537	-	31,537	
	British Telecommunications	-	Financial assets at fair value through other comprehensive income - non-current	-	37,697	-	37,697	
	Electricité de France	-	Financial assets at fair value through other comprehensive income - non-current	-	32,540	-	32,540	
	Intel Corporation	-	Financial assets at fair value through other comprehensive income - non-current	-	31,347	-	31,347	
	Nasdaq Inc.	-	Financial assets at fair value through other comprehensive income - non-current	-	143,861	-	143,861	
	Philip Morris International	-	Financial assets at fair value through other comprehensive income - non-current	-	34,368	-	34,368	
	TSMC Arizona Corporation	-	Financial assets at fair value through other comprehensive income - non-current	-	29,068	-	29,068	
	United States of America - Bond	-	Financial assets at fair value through other comprehensive income - non-current	-	31,583	-	31,583	
Cathay Life Insurance Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current	-	30,705	-	30,705		

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

Note 2: For information about investment in subsidiaries and associates, please refer to Table 2.

KINIK COMPANY

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Shares	%	Carrying Amount			
Kinik Company	Hongia Industry Co., Ltd.	New Taipei, Taiwan	Fabricated metal products manufacturing	\$ 96,525	\$ 96,525	2,925,000	100.0	\$ 83,330	\$ (5,194)	\$ (5,913)	Subsidiary
	KINIK-THAI CO., LTD.	Thailand	Fabricated metal products manufacturing	262,488	262,488	481,800	47.2	266,613	21,135	8,710	Subsidiary
	KINLI Investment Co., Ltd.	New Taipei, Taiwan	General investment	20,000	-	2,000,000	100.0	19,982	(18)	(18)	Subsidiary
	Yamamura Kinik Optical Co., Ltd.	Hsin-Chu, Taiwan	Glass and glass products	-	120,000	-	-	-	-	-	Associate (Note)
	Winsheng Material Technology Co., Ltd.	New Taipei, Taiwan	Electronic parts and components manufacturing	40,000	40,000	2,000,000	6.2	43,437	(108,414)	(7,091)	Associate

Note: On March 22, 2023, Yamamura Kinik Optical Co., Ltd. was approved by Ministry of Economic Affairs to be dissolved.

TABLE 3**KINIK COMPANY****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Jin Min Investment Co., Ltd.	9,892,423	6.82
Cathay Life Insurance Co., Ltd.	7,830,000	5.40

Note: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

VII. | Review of Financial Position, Business Performance, and Risk Issues

I. Financial Position

Unit: Thousand NT\$

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	4,042,103	4,061,727	-19,624	0%
Fixed assets	4,239,246	4,559,011	-319,765	-7%
Other assets	1,581,604	924,157	657,447	71%
Total assets	9,862,953	9,544,895	318,058	3%
Current liabilities	2,250,720	1,983,240	267,480	13%
Long-term liabilities	1,139,818	1,470,985	-331,167	-23%
Total liabilities	3,390,538	3,454,225	-63,687	-2%
Share capital	1,449,435	1,437,337	12,098	1%
Capital surplus	1,399,657	1,289,733	109,924	9%
Retained earnings	3,334,259	3,049,109	285,150	9%
Total equity	6,472,415	6,090,670	381,745	6%

Explanatory notes: 1. The increase in other assets was mainly due to the purchase of high-specification equipment for reclaimed wafers and new investments in foreign corporate bonds.

2. The increase in current liabilities was due to the increase in short-term borrowings to cover short-term operating turnover.

3. The decrease in long-term liabilities was mainly due to the successive repayment of long-term borrowings.

II. Financial Performance

Unit: Thousand NTS

Year Item	2023		2022		Increase (Decrease)	Change in percentage (%)	Analysis on changes
	Subtotal	Total	Subtotal	Total			
Total net operating revenue	\$6,389,291		\$6,928,796				
Less: Sales returns and allowances	(8,387)		(21,177)				
Net operating revenue		6,380,904		6,907,619	(526,715)	-7.6%	
Operating cost		(4,438,673)		(4,379,157)	(59,516)	1.4%	
Operating margin		1,942,231		2,528,462	(586,231)	-23.2%	V
Operating expenses		(952,994)		(1,097,687)	144,693	-13.2%	
Net operating profit		989,237		1,430,775	(441,538)	-30.9%	V
Non-operating income (expenses)		71,168		126,561	(55,393)	-43.8%	V
Net profit before tax		1,060,405		1,557,336	(496,931)	-31.9%	V
Income taxes (expenses)		(198,298)		(282,986)	84,688	-29.9%	V
Net income of the current period		862,107		1,274,350	(412,243)	-32.3%	V
Other comprehensive income		11,107		82,918	(71,811)	-86.6%	V
Total comprehensive income of the current period		873,214		1,357,268	(484,054)	-35.7%	V

Explanatory notes: 1. Decrease in non-operating income (expenses): Mainly due to the stable USD exchange rate trend in the current period compared to 2022, which resulted in a decrease in foreign currency exchange gains.

2. Decrease in gross profit, net operating profit, net profit before tax, and net profit for the current period: Mainly due to the effect of destocking in the semiconductor industry in 2023, which resulted in a decrease in revenue.

3. Decrease in other comprehensive income: Mainly due to the decrease in the re-measurement of the defined benefit plans and the loss on the exchange differences on translation of foreign financial statements.

4. Decrease in income tax expenses: Mainly due to the decrease in overall profit in 2023 compared to the same period of last year.

5. Total comprehensive income for the year decreased: Mainly due to the destocking of the semiconductor industry in 2023, which resulted in a decrease in revenue.

Estimated sales volume and its basis, possible impact on the Company's future financial business and its response plan:

1. Estimated sales volume and its basis:

According to the analysis of the research institution, the inventory adjustment of the semiconductor industry in 2024 is drawing to a close. Under the recovery of demand of the leading wafer fabs and the demand for more consumables for the advanced manufacturing process, the Company's revenue is expected to grow significantly compared to last year. The Company will continue to optimize production efficiency and cost, and improve the product portfolio to achieve



profit targets.

2. Possible impact on the Company's future financial business and its response plan:

The Company expects to maintain profit and continue to generate cash; therefore, there is no significant financial impact.

III. Cash Flow Analysis

(I) Summary of net cash flow change analysis in the most recent year

Year Item	2023	2022	Increase (Decrease) (%)
Cash flow ratio	57.28	98.32	-42%
Cash flow adequacy ratio	88.96	93.07	-4%
Cash flow reinvestment ratio	5.73	13.09	-56%
Analysis on increase/decrease:			
1. The decrease in cash flow ratio: mainly due to the decrease in revenue resulting from the impact of the semiconductor industry downturn on the Company's operations this period.			
2. The decrease in cash reinvestment ratio: mainly due to the decrease in revenue resulting from the impact of the semiconductor industry downturn on the Company's operations this period.			

(II) Cash flow analysis for the coming year

Unit: Thousand NT\$

Cash balance at the beginning of the period	Yearly net cash inflow from operating activities	Yearly cash outflow	Cash Surplus (Shortage)	Remedies for cash shortage	
				Investment plan	Financing plan
662,555	1,202,371	(479,382)	1,385,544	None	None
1. Analysis on changes of cash flow for the coming year: <ol style="list-style-type: none"> (1) Operating activities: the net cash inflow, NT\$1,202,371 thousand, is projected to be generated from the Company's earnings 2024. (2) Investing activities: In 2024, the Company expects a net cash outflow of NT\$441,000 thousand due to equipment purchases and replacements, and a cash outflow of NT\$40,000 thousand due to investments. (3) Fundraising activities: It is expected that NT\$1,010 million of convertible bonds will be issued in 2024 to repay long-term and short-term borrowings, NT\$700,000 thousand due to working capital in the third quarter, and a net cash outflow of NT\$698,382 thousand due to cash dividends and employee bonuses. 2. Corrective measures against projected insufficient cash position and analysis on liquidity: No such situation.					

IV. Impacts of Major Capital Expenditures in the Most Recent Year to Financial Performance

(I) Major capital expenditure utilization status, source of capital and nature of capital expenditures to be invested in the next five years

In response to the process needs of high-end customers for reclaimed wafers, the Board of Directors of the Company decided on March 23, 2023 to purchase high-end testing machines at Hsinchu Science Park's plant and build a cleanroom for the machines. The total expenditure was about NT\$280 million for the loss of process yield due to the difference in testing with the customer.

(II) Expected benefits derived therefrom

Possible benefits from the purchase of SP7XP:

1. Improvement of testing capacity: Purchase of SP7, which greatly improves the testing speed of 19nm products and achieves the performance of mass production testing.

2. Automation of product classification: The particle measuring information can be imported into the Final Sorter to achieve automatic product sorting.
 3. Improvement of rework efficiency: Different from using only particle count as the rework condition, its grid count function can automatically identify wafers with local particle aggregation and include them in rework to improve rework efficiency and product quality.
 4. Provide MES system information: The system can automatically import the measured data of each wafer into the production information system to provide the information necessary for production management.
- V. Causes of Profit or Loss Incurred on Investments in the Most Recent Year, and Any Improvements or Investments
- (I) Investment Policy in the Most Recent Year
- The Company has invested in the business integrating upstream and downstream dealers in the most recent year, hoping to increase the R&D strength and add the product value as its main policy.
- (II) Reason for Investment Loss and Corrective Actions
- The main reinvestment losses in most recent year were mainly from Winsheng Material Technology Co., Ltd. and Yamamura Optical Co., Ltd. Since Winsheng Material Technology is currently in the product development and trial mass production phases, its R&D and personnel costs are the main reasons for the loss. In the future, we will continue to invest in research and development and accelerate product mass production. Yamamura Optical had difficulty expanding its business due to the adverse impact caused by the pandemic and has been dissolved on March 22, 2023.
- (III) Investment plan for the coming year
- The Company will continue to review various investment projects from the long-term strategic point of view, in order to deal with the future market and demand for expansion of production capacity to keep improving the Company's competitiveness in the world.
- VI. Analysis on Risk Issues for the Most Recent Year until the Publication Date of the Annual Report
- (I) Effects that interest, exchange rate fluctuation and inflation have on the profits and losses of the Company as well as the future response measures

1. Effects that foreign exchange income and interests, revenue and expenditure have on the Company's income

Unit: Thousand NT\$

Item	2023	First quarter of 2024
Net foreign exchange gains (losses) (1)	28,168	64,775
Net operating revenue (expenses) (2)	18,379	(1,628)
Net operating revenue (3)	6,380,904	1,595,178
Net foreign exchange gains (losses) to net operating revenue (1)/(3)%	0.44	4.06
Net interest revenue (expenses) to net operating revenue (2)/(3)%	0.29	(0.1)

The percentage of the Company's exchange gains (loss) and interest revenue (expenses) to the net operating revenue is not high. The Company's income remained unaffected by the fluctuation in foreign exchange rate and interest rate. Therefore, the Company's short-term interest rate and foreign exchange rate policy still upholds stability and avoid fluctuations.

2. Effects that inflation has on the Company's income

The Company's income remained unaffected by the inflation in the most recent year.

3. The Company's countermeasures against fluctuations in foreign exchange rate and interest rate.

Collect the information about fluctuations in foreign exchange rate and interest rate and analyze potential fluctuations in foreign exchange rate to take adequate countermeasures timely.

- (II) Policies on transactions involving high risks, highly leveraged investments, funds lending to others, endorsement or guarantee and derivatives, the main reasons for the profit or loss of these transactions and future countermeasures

The Company doesn't engage in any transactions involving high risks, highly leveraged investments, funds lending to others, endorsement or guarantee and derivatives. With respect to loaning funds to others, making endorsements/guarantees and derivatives trading, the Company establishes the "Operating Procedure for Loaning of Funds to Others," "Regulations Governing Making of Endorsements/Guarantees" and "Procedure for Acquisition or Disposal of Assets" as the rules to be followed.

- (III) Future R&D Plans and Estimated R&D Expenses

The company has continued to develop towards diversification in recent years. The company is not only a leader in grinding tool manufacturing and grinding foundry

services (hard and brittle materials) with the direction of its core future product development towards grinding tools, grinding technology and diamond materials, but will expand the application of the core technologies in the fields of energy-saving and electronics, combine industry trends at any time, provide customers with the best solutions, and become one of the most competitive companies in the world. The following is a list of the products of the company's key R&D in the future:

- A. Advanced CMP diamond disks for the 2nm semiconductor manufacturing process.
- B. Reclaimed wafers of 17nm specifications.
- C. High-number silicon based semiconductor grinding wheels.
- D. High-Number SiC Wafer Grinding Wheels
- E. Research on diamond wafers
- F. Grinding wheels for new generation packaging materials

The above are the key R&D projects expected in the next few years. The estimated R&D expenditure in 2024 is about NT\$150 million.

(IV) Effects of and response to changes in local and foreign policies and regulations relating to corporate finance and sales

The Company's management team will keep observing the important domestic and foreign policies related to the Company's business and finance, and changes in the laws and regulations. Meanwhile, the Company also made adjustment in response to the competent authority's amendments to the corporate governance and Company Act. For the time being, such amendments do not pose any major impact to the Company's business and finance.

(V) Effects of and response to changes in technology and the industry relating to corporate finance and sales

1. Analysis and evaluation on changes in technology and the industry

The Company will adjust its business strategies in response to changes in the industry from time to time, and recruit excellent talents timely, in order to continue improving the Company's R&D abilities, upgrade the Company's competitiveness and mitigating the impact posed by the changes in technology and the industry to the Company's business and finance. Meanwhile, the Company will keep observing changes in the industry and respond to the market trend effectively and rapidly.

2. Information Security Risk Assessment and Analysis

The Company has built a full-range network and computer security defense

system which may monitor and block illegal computer and equipment in the network environment, and strictly control the access to the intranet. The Company also applies authorized and certified equipment to maintain the Company's operations of important functions, such as business, production and manufacturing, and accounting and finance.

Notwithstanding, in consideration of the ever-changing hacking skills, the Company cannot guarantee that the computer system may avoid external attacks completely. Under such circumstance, when the Company's intranet is hacked so that the Company's operating equipment and data are ruined, the Company's system might lose its important data, and the operating system might cause the production to be affected due to the hacking, thereby affecting the shipment to customers and impairing the Company's goodwill.

In order to deal with the multiple threats, the Company's MIS Dept. considers that the best way should be to verify the priority of network risks to be evaded. The information security needs more visible and stronger multi-layer interconnecting safety defense system, so that the new threats may be relieved.

Given said threats, the Company constructs such safety defense system which adopts the technological analysis, such as real-time scanning, webpage and classification of files, behavior analysis, high file harmlessness and prevention of kidnapping, ransomware and malicious program files, and is also able to protect the terminal device and mails as its goal. Meanwhile, the Company will check the vulnerability scanning system and terminal device behavior defense system on the network periodically to prevent the threatening potential risk existing in the Company's computer equipment from causing losses to the Company's operations and ransomware to reduce attacks to the Company largely and block the attack from malicious programs.

So far, the Company has not yet suffered any major cyber attacks or any event that would harm the Company's business and operations significantly. For the time being, the Company keeps various business systems functioning steadily under the defense system.

(VI) Impact of change in the corporate image on crisis management, and countermeasures

The Company is used to upholding the management philosophy adhering to profession and ethics and values the corporate identity and risk controls. For the time being, there is no crisis foreseeable. In the future, the Company will fulfill the corporate social responsibility while maximizing the shareholders' equity.

(VII) Expected benefits from, risks relating to, and response to merger and acquisition plans

So far, the Company has had no new merger and acquisition projects.

(VIII) Expected benefits from, risks relating to, and response to factory expansion plans

No such situation.

(IX) Risks relating to and responses to excessive concentration of purchasing sources and excessive customer concentration

The income earned from the Company's largest customer accounted for 30.14% of the Company's net sales, increasing from last year, primarily a result of the increase in the customer's demand this year. In the future, the Company will continue to develop new customers domestically and overseas and decrease the proportion of income from a single customer to the net sales to mitigate the risk over concentrated sales. Last year, the supplies from the Company's largest supplier accounted 10.62% of the net purchases, primarily for strategic purchases of raw materials. Notwithstanding, the Company will continue to assess the supplier based on the product quality, purchase cost, and supplier's degree of cooperation. In addition to the fair long-term cooperative suppliers, the Company will also use its best effort to develop fine-quality suppliers to evade the risk of concentrated purchases.

(X) Effects of, risks relating to, and response to large share transfers or changes in shareholdings by Directors, Supervisor or Shareholders with shareholdings of over 10%

The Company's Directors or Shareholders with shareholdings of over 10% all hold the Company's stocks for a long term stably. So far, no large share transfer or change has been found.

(XI) Effects of, risks relating to, and response to the changes in management

The Company's management structure has remained stable permanently and no risk related to changes has been arising so far.

(XII) For litigation or non-litigation cases involving the Company, Directors, Supervisors, General Manager, actual persons in-charge or major Shareholders with a stake of 10% or more that have been concluded or are still pending, and have a material impact on the Shareholders' interest or security prices, the disclosure should be made regarding the content of the disputes, the sum of penalty or claim, the commencement date of the suits, the parties involved and the status as of the publication date of the annual report

None

(XIII) Other important risks, and mitigation measures

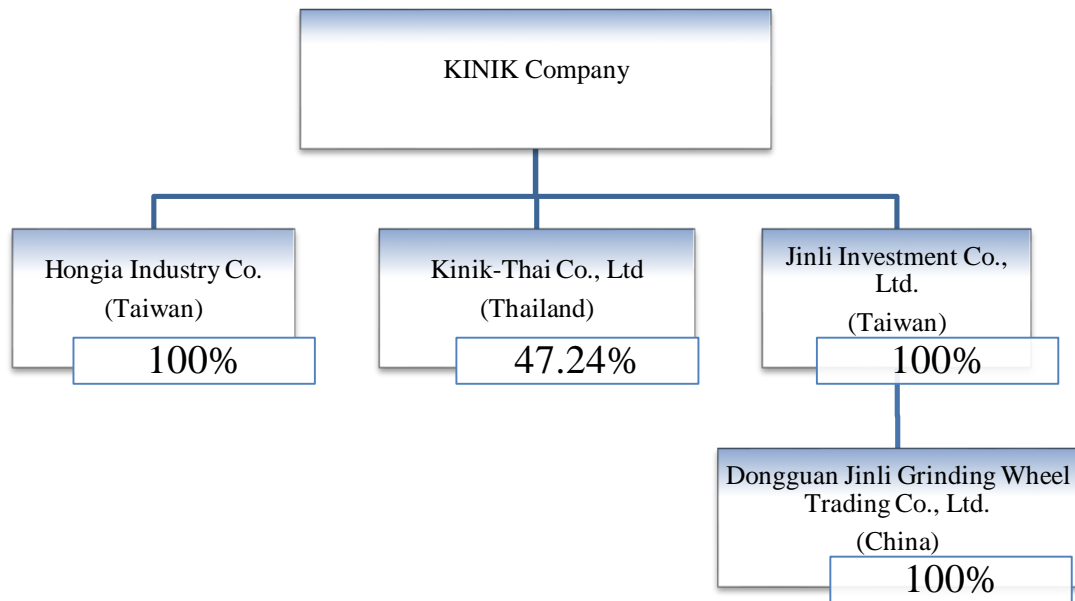
None

VII. Other Material Issues

None.

VIII. | Special Items to Be Records

- I. Information of Affiliated Enterprises
 - (I) Organization Chart of Affiliated Enterprises



Note: Dongguan Jinli Grinding Wheel Trading Co., Ltd. (China) has been merged into CSCS on April 1, 2024.

(II) Basic information of affiliated enterprises

Unit: Thousand NT\$

Company name	Date of establishment	Registration place	Capital	Main business items
Hongia Industry Co.	1978/10/4	New Taipei City	NT \$29,250	Manufacturing of other metal products, medical equipment manufacturing and surface treatment.
Kinik-Thai Co.,Ltd	1995/2/9	Prachinburi, Thailand	THB \$102,000	Manufacturing, sales, import and export of grinding machines, and production of various cutting, polishing and grinding products.
Jinli Investment Co., Ltd.	2023/11/17	New Taipei City	NT\$20,000	General investment

(III) Information of directors and presidents of affiliated enterprises

Company name	Title	Name	Shareholding	
			Number of shares	Proportion
Hongia Industry Co.	Chairman	Representative of Kinik Company: Po-Chuan Lin	2,925,000	100%
	Directors	Representative of Kinik Company: Jung-Che Hsieh	2,925,000	100%
	Directors	Representative of Kinik Company: Ching-Chung Pai	2,925,000	100%
	Supervisor	Representative of Kinik Company: Yung-Sheng Ku	2,925,000	100%
Kinik-Thai Co.,Ltd	Directors	Representative of Kinik Company: Po-Chuan Lin	481,800	47.24%
	Directors	Representative of Kinik Company: Jung-Che Hsieh	481,800	47.24%
	Directors	PAIROJ ASAWACHAISOPON	163,200	16%
Jinli Investment Co., Ltd.	Directors	Representative of Kinik Company: Po-Chuan Lin	2,000,000	100%

(IV) Operational Highlights of Affiliated Companies

Unit: Thousand NT\$

Company name	Total assets	Total liabilities	Net value	Operating revenue	Operating income	Current profit (loss)	Earnings per share (NT\$)
Hongia Industry Co.	122,974	54,327	68,647	128,605	(6,921)	(5,194)	(1.78)
Kinik-Thai Co.,Ltd	646,125	80,873	565,252	411,143	23,390	21,135	22.82
Jinli Investment Co., Ltd.	19,982	0	19,982	0	(32)	(18)	(0.02)

II. Status of private equity securities issuing in the most recent year and as of the printing date of the annual report

No such situation.

III. Status of subsidiaries holding or disposing of the company's stock in the most recent year and as of the printing date of the annual report

No such situation.

IV. Other necessary supplementary explanations

None



IX. | For the Most Recent Year until the Publication Date of the Annual Report, Matters Affecting Shareholders' Equity Stock Price as Prescribed in the Securities and Exchange Act, article 36 paragraph 3 subparagraph 2:

Please refer to (12) Explanatory notes on P.255~257 hereof.

Kinik Company
Statement of Internal Control System

February 27, 2024

Based on the findings of a self-assessment, Kinik Company (KINIK) states the following with regard to its internal control system during the year 2023:

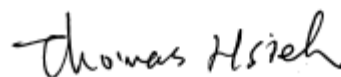
1. KINIK's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of our reporting, and compliance with applicable rulings, laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and KINIK takes immediate remedial actions in response to any identified deficiencies.
3. KINIK evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities.
4. KINIK has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
5. Based on the findings of such evaluation, KINIK believes that, on December 31, 2023, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.
6. This Statement is an integral part of KINIK's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors in their meeting held on February 27, 2024, with none of the nine attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Kinik Company

Bob Lin
Chairman



Thomas Hsieh
Chief Executive Officer





For the Most
Recent Year until

Other necessary supplementary explanations

KINIK Company



Chairman: PO-CHUAN LIN

