



KINIK Stock Code 1560

Kinik Company



**2024 Annual Report
2025 Annual General
Shareholders' Meeting**

URL of the Market Observation Post System of the Taiwan Stock
Exchange Corporation <http://mops.twse.com.tw>
URL of the annual report of Kinik Company <http://www.kinik.com.tw>

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Kinik Company

2024 Annual Report



Kinik Company

No. 64, Zhongshan Rd., Yingge Dist., New Taipei City 239010,
Taiwan (R.O.C.)

Tel: (02)2679-1931

<http://www.kinik.com.tw>

Contact Information

I. Name, title, contact number and email address of the spokesperson and the acting spokesperson:

| | Spokesperson | Deputy Spokesperson |
|-------|----------------------------|----------------------|
| Name | William Lee | Tony Pai |
| Title | President of Diamond B. U. | Vice President |
| Tel. | (02)2679-1931 | (02)2679-1931 |
| Email | william@kinik.com.tw | tonypai@kinik.com.tw |

II. Address and telephone number of the head office, the branches, and the factories:

| Name | Address | Telephone |
|--|---|---------------|
| Head Office | No. 64, Zhongshan Rd., Yingge Dist., New Taipei City 23942, Taiwan (R.O.C.) | (02)2679-1931 |
| Yingge Factory - Abrasives B.U. Diamond B.U. | No. 64, Zhongshan Rd., Yingge Dist., New Taipei City 23942, Taiwan (R.O.C.) | (02)2679-1931 |
| Shulin Factory - Abrasives B.U. Diamond B.U. Grinding Solution Center | No. 16, Ln. 151, Sec. 2, Zhongshan Rd., Shulin Dist., New Taipei City 23846, Taiwan (R.O.C.) | (02)8684-4111 |
| Hsinchu Factory - Abrasives B.U. Diamond B.U. Electroplating B.U. | No. 6, Wenhua Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County 30352, Taiwan (R.O.C.) | (03)598-4990 |
| Zhubei Factory - Semiconductor Materials B.U. | No. 260, Shixing Road, Zhubei City, Hsinchu County 30286, Taiwan (R.O.C.) | (03)550-7160 |
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| Yingge Office | No. 64, Zhongshan Rd., Yingge Dist., New Taipei City 23942, Taiwan (R.O.C.) | (02)2679-1931 |
| Hsinchu Office | No. 6, Wenhua Rd., Hsinchu Industrial Park, Hukou Township, Hsinchu County 30352, Taiwan (R.O.C.) | (03)598-4990 |
| Taichung Office | No. 177, Jiande St., East Dist., Taichung City | (04)2287-7611 |

Contact Information

| | | |
|------------------|---|--------------|
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| Kaohsiung Office | No. 501, Haijing St., Zuoying Dist., Kaohsiung City 81342 | (07)345-4567 |

III. Name, address, website and telephone number of the stock transfer agency:

Name: Registry and Transfer Agency Department of KGI Securities Co., Ltd.

5F., No. 2, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)

Website: <http://www.kgieworld.com.tw>

Tel: (02)2725-9988

IV. Name, firm name, address, website and telephone number of the independent auditors of the financial report for the most recent year:

Names of accountants: MING-HSIEN LIU, YUNG-HSIANG CHAO

Firm Name: Deloitte Taiwan

20F., No. 100, Songren Rd., Xinyi Dist., Taipei City 11073, Taiwan (R.O.C.)

Website: <http://www.deloitte.com.tw>

Tel: (02)2725-9988

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

None.

VI. Company website: <http://www.kinik.com.tw>

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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,

Looking back at the international situation and economic development of 2024, despite the growth in consumer demand driven by emerging fields such as artificial intelligence (AI), semiconductor demand, and green energy, which gradually revitalized economic activity, high inflation, tight monetary policies, and geopolitical conflicts deeply affected trade circulation and market confidence. Overall, geopolitical risks still posed significant challenges to the global economy, supply chain issues persisted, and global aging populations coupled with declining birth rates led to labor shortages, creating severe economic challenges. These factors interacted to make global economic recovery extremely slow. The Russia-Ukraine war disrupted energy and commodity supplies, tensions in the Middle East escalated again, and the US-China trade conflict further intensified. All these factors exacerbated uncertainties in global markets and undermined confidence in economic development.

Thanks to its long-term product diversification strategy, Kinik Company has continuously expanded its product line, successfully maintaining a stable market position. In response to the steady growth trend in the semiconductor industry, the company has actively deployed related products and strengthened material innovation and precision research and development, effectively diversifying risk and reducing the impact of external environmental fluctuations on operations. This has enabled the Company to maintain stable profitability levels despite facing various challenges. Overall, Kinik Group's consolidated revenue reached NT\$7.019 billion in 2024, growing 10% compared to 2023, with net profit after tax of NT\$1.062 billion and earnings per share after tax of NT\$7.1, as compared to the budget shown in the table below:

Unit: Thousand NT\$

| For the year 2024 | | | |
|-----------------------|---------------|---------------|----------------------|
| | Budget Amount | Actual Amount | Achievement Rate (%) |
| Sale revenue | 6,642,000 | 7,019,493 | 106% |
| Net operating profit | 1,276,000 | 1,155,197 | 91% |
| Net profit before tax | 1,295,000 | 1,288,782 | 100% |
| Net profit after tax | 1,034,000 | 1,061,990 | 103% |
| EPS (NT\$) | | 7.1 | |

Looking ahead to this year, EV, AI, and robotics will continue to play important roles in economic growth. However, geopolitical uncertainty remains a major variable, especially with

President Trump's successful return to the White House. The United States may trigger significant changes in tariffs, technology, energy, diplomacy, and defense, which will likely have profound impacts on global economic development, affecting Taiwan's trade and economic development, and potentially challenging the global economy by influencing national development and supply chain cooperation models.

Despite the uncertainties in the international situation, Kinik will actively respond to various challenges and strengthen risk management while continuing to enhance the company's core capabilities to create more value for shareholders and customers. We will continuously pursue innovation and improvement, with ESG as the core driving force for the company's century-long development, using green environmental protection, digital transformation, and smart manufacturing technologies to address current challenges.

Therefore, we have formulated the following key action plans:

1. Expanding International Markets: Integrating the manufacturing and marketing capabilities of our five grinding wheel factories in Taiwan, Japan, and Thailand to strengthen our overseas business expansion through new products and channels, creating more growth opportunities.
2. Strengthening Semiconductor Polishing Capabilities: In response to the strong demand for semiconductors in AI, we continue to develop diamond discs and reclaimed wafer products and capacity for advanced processes, while actively researching precision polishing solutions for new materials to enhance our competitiveness in the semiconductor polishing industry.
3. Continuing to Promote Lean Manufacturing and Smart Production: We continue to strengthen green digital smart manufacturing and services to improve production efficiency and reduce costs, establish new business models to serve customers, and are committed to fulfilling our environmental protection and social responsibilities.

Looking ahead, we will continue to strengthen innovation in our operations and actively expand our business footprint in next-generation and emerging markets. We believe these efforts will lay a solid foundation for the future. We will also actively respond to global market changes and technological developments to maintain our leadership position in a highly competitive environment.

Finally, thank you to all shareholders for your long-term support and trust. We look forward to moving forward with you on the road ahead, sharing the fruits of Kinik's continued growth



together!

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

Sincerely, Chairman PO-CHUAN LIN



February 26, 2025

II. Corporate Governance Report

I. Profiles of the Directors, President, Vice Presidents, Assistant Vice Presidents, and heads of the functions and branches

(I) Director Information

April 21, 2025; Unit: shares

| Job Title (Note 1) | Nationality or place of registration | Name | Gender and age (Note 2) | Election date | Term of office | Date first elected and job assumption (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 | | Main experience (educational background) (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 percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | | | Job Title | Name | Relationship | |
| Chairman | Republic of China | Kinik Investment Co., Ltd. | - | 2023.06.20 | 3 years | June 13, 2017 | 9,892,423 | 6.86% | 9,892,423 | 6.76% | 0 | 0.00% | 0 | 0% | None | None | None | None | None | None |
| | 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 | 1.25% | 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 | None | None | None | None |

| Job Title (Note 1) | Nationality or place of registration | Name | Gender and age (Note 2) | Election date | Term of office | Date first elected and job assumption (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 | | Main experience (educational background) (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 percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | | | Job Title | Name | Relationship | |
| | | | | | | | | | | | | | | | Kinli Investment Co., Ltd. Director of MKS Director of MGT | | | | | |
| | Republic of China | Legal representative of Kinik Investment Co., Ltd.: Jung-Che Hsieh | Male 61-70 | 2023.06.20 | 3 years | June 13, 2008 | 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 Chairman of 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 Hongia Industry Co. Director of KTC (Note 6) Director of MKS (Note 7) Director of MGT (Note 8) | None | None | None | None |

| Job Title (Note 1) | Nationality or place of registration | Name | Gender and age (Note 2) | Election date | Term of office | Date first elected and job assumption (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 | | Main experience (educational background) (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 percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | | | Job Title | Name | Relationship | |
| Director | Republic of China | Kinchuan Investment Co., Ltd. | - | 2023.06.20 | 3 years | 2023.06.20 | 4,117,167 | 2.86% | 4,117,167 | 2.81% | 0 | 0% | 0 | 0% | None | None | None | None | None | None |
| | Republic of China | Legal representative of Kinchuan Investment Co., Ltd.: Wen-Liang Pai | Male 71-80 | 2023.06.20 | 3 years | June 13, 2005 | 3,190,605 | 2.21% | 3,190,605 | 2.18% | 1,310,940 | 0.9% | 0 | 0% | Ph.D., Business and Management, Huron International University, USA | Vice Chairman of the Company Chairman of Kinchuan Investment Co. Ltd. | None | None | None | None |
| Director | Republic of China | Lihe Investment Co., Ltd. | - | 2023.06.20 | 3 years | June 13, 2017 | 2,471,420 | 1.72% | 2,471,420 | 1.69% | 0 | 0% | 0 | 0% | None | None | None | None | None | None |
| | 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 | 0.42% | 10,000 | 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 Hongia Industry | None | None | None | None |

| Job Title (Note 1) | Nationality or place of registration | Name | Gender and age (Note 2) | Election date | Term of office | Date first elected and job assumption (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 | | Main experience (educational background) (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 percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | | | Job Title | Name | Relationship | |
| | | | | | | | | | | | | | | | Co. Director of Dongguan Jinli Grinding Wheel Trading Co., Ltd. Director of MKS Director of MGT | | | | | |
| Director | Republic of China | Kinki Inv. Ltd. Company | - | 2023.06.20 | 3 years | June 15, 2020 | 4,796,000 | 3.33% | 4,796,000 | 3.28% | 0 | 0% | 0 | 0% | None | None | None | None | None | None |
| | 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 Assistant Manager of 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 | None |

| Job Title (Note 1) | Nationality or place of registration | Name | Gender and age (Note 2) | Election date | Term of office | Date first elected and job assumption (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 | | Main experience (educational background) (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 percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | | | Job Title | Name | Relationship | |
| | Republic of China | Legal representative of Kinki Investment Ltd. Co.: Tony Houng | Male 61-70 | 2023.06.20 | 3 years | 2022.06.22 | 190,000 | 0.13% | 120,000 | 0.08% | 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 | None |
| Independent Director | Republic of China | Shing-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 | Chairman of Athena Innovation Investment and Service Company Independent Director of TONGTAI MACHINE & TOOL CO., LTD. | None | None | None | None |

| Job Title (Note 1) | Nationality or place of registration | Name | Gender and age (Note 2) | Election date | Term of office | Date first elected and job assumption (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 | | Main experience (educational background) (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 percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | | | Job Title | Name | Relationship | |
| | | | | | | | | | | | | | | Director of the Mechanical and Mechatronics System Lab., Industrial Technology Research Institute | | | | | | |
| Independent Director | Republic of China | Baul-Hsie 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 | Chairman of Hua Nan Engineering Co., Ltd. Director of South China Insurance Co., Ltd. | None | None | None | None |

| Job Title (Note 1) | Nationality or place of registration | Name | Gender and age (Note 2) | Election date | Term of office | Date first elected and job assumption (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 | | Main experience (educational background) (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 percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | | | Job Title | Name | Relationship | |
| | | | | | | | | | | | | | | Director of Weltrend Semiconductor, Inc. | | | | | | |
| 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 MBA, California State University, USA Associate Professor of Professional and Technical Level, Wu Feng University Lecturer, Taiwan Police College Examination Committee Member of Youth Development Administration, Ministry of Education | Chairman of Yan Ding Capital Co., Ltd. Chairman of Yan Ding Land Co., Ltd. Director of Yan Ding Investment Co., Ltd. Convener of Finance Investment Department, Wen Jian Accounting Firm | None | None | None | None |

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: Where the Company's Chairman and President or equivalent job position (highest managerial officer) refer to the same individual, or being spouse or first-degree relative of each other, it is necessary to explain the reason and relevant information on the reasonability, necessary and responsive measures (such as) method of increase of independent director seats, a majority of directors without concurrent job position of employee or managerial officer etc.).

Note 6: The full name of KTC refers to Kinik-Thai Co., Ltd.

Note 7: The full name of MKS refers to MAX KINIK Seimitsu Co., Ltd.

Note 8: The full name of MGT refers to MAX KINIK Grinding Technology Co., Ltd.

1. Major shareholders of corporate shareholders

- (1) 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 21, 2025

| Name of corporate shareholder | Major Shareholders of Corporate Shareholders |
|-------------------------------|--|
| Kinik Investment Co., Ltd. | Man-Li Lin Chen (30.46%); Po-Chuan Lin (32.40%); Po-Yin Lin (32.40%) Heng-Jui Lin (0.68%), Chiao-Hsi Lin (0.68%), Feng-Yu Ting (0.68%), Yu-Ning Ting (0.68%), Webster Co., Ltd.(2.02%) |
| Kinchuan Investment Co., Ltd. | Kinan Investment Co., Ltd. (100%) |
| Lihe Investment Co., Ltd. | Yang-Liang Pai (50.00%), Feng-Mei Chiang Pai (37.50%), Tony Pai (4.50%) Ching-Fang Pai (4.00%), Yu-Chuan Pai (4.00%) |
| Kinki Inv. Ltd. Company | Po-Chuan Lin (38.06%), Po-Yin Lin (38.04%) PRICELITE LIMITED(23.90%) |

- (2) 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 21, 2025

| Name of Corporate Shareholder | Major Shareholders of Corporate Shareholders |
|-------------------------------|--|
| 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. | PAI Wen-Liang Pai (49.17%), Yu-Hua Lin (29.17%), Che-An Pai (14.60%), Hsi-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 | Number of companies for adjunct independent directors of other public offering companies |
|---|---|---|--|
| <p>Kinik Investment Co., Ltd. Representative: Po-Chuan Lin (Chairman)</p> | <p>Professional Master's Program in Business Administration, National Taiwan University. Concurrently serves as Chairman of Hongia Industry Co., Responsible person of KINKI INV LTD. COMPANY and Director of Chairman of Kinik-Japan Co., Ltd. and 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 of conduct, established the</p> | <p>Not applicable since he/she is not an independent director</p> | |

| | | |
|--|--|--|
| | <p>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>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>Kinik Investment Co., 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 reclaim wafer fab in Taiwan with ductile mode grinding process.</p> <p>He is recognized as a top ten Excellent Young Engineers</p> | |

| | | |
|--|--|--|
| | <p>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>Lihe Investment Co., Ltd. Representative: Tony Pai (Director)</p> | <p>He holds a master's Degree in Materials Science and Engineering from USC, currently acts a Director of Hongia Industry Co., Ltd., a Director of LI-HE INV. LTD. COMPANY, and the Acting Spokesperson of Kinik Company, and he has over 20 years of experience in the management and strategic management of the semi-conductor industry, and has the expertise in business management, R&D, public relations, and industrial technology capabilities.</p> | |
| <p>Kinki Inv. Ltd. Company Representative: William Lee Director</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 relations and crisis management</p> | |

| | | | |
|--|---|---|------|
| | skills. | | |
| Kinki Inv. Ltd. Company Representative: Houng Director | Tony 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 reclaim wafers, industrial management and sales market. | | |
| 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. | Please see the following section of “Diversity and Independence of Board of Directors” for details. | 1 |
| Baul-Hsie Liao (Independent Director) | He holds a MBA degree from University of San Francisco, USA, and a master degree in Electrical Engineering from Rensselaer Polytechnic Institute, USA. He is the Chairman of Fu Fong Investment Co., Ltd., Director of Howard Hotels., Ltd., and Director of China Electric | | None |

| | | | |
|--|---|--|-------------|
| | <p>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>Wen-Yi Hsiao (Independent Director)</p> | <p>He holds a Ph.D. degree in 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> |

4. Diversity and Independence of 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 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 emphasizes gender equality of the composition of the Board of Directors, and aims to have the Board of Directors consisting of at least one-third directors of different gender. Currently, the Board members consists of male directors. In the future, the Company will strive to increase the number of female directors, and plan to elect at least one director of different gender during the reelection of the next term of Board of Directors.

(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.

| Name of Independent Director | Shing-Yuan Tsai | Baul-Hsie Liao | Wen-Yi Hsiao |
|--|-----------------|--------------------|--------------|
| Whether an independent director, spouse, or relative within the second degree of kinship of the Company serves as a director, supervisor, or employee of the Company or its affiliates | None | None | None |
| 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 | 359,252 (0.25%) | None |
| Do the independent directors serve as directors, supervisors, or employees of companies specifically related to the Company (refer to Subparagraphs 5-8 of Paragraph 1 of Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies) | None | None | None |
| Amount of remuneration for providing the Company or its affiliates with commercial, legal, financial, and accounting services in the last 2 years | None | None | None |

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

April 21, 2025; Unit: shares

| Title (note 1) | Nationality | Name | Gender | Election date | Shareholding | | Shareholding of spouse or 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 | 2010/02/09 | 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 | 2022/2/1 | 43,325 | 0.03% | 0 | 0% | 0 | 0% | PhD of Materials Science and Engineering, National Taiwan University | (Note 8) | None | None | None | None |
| President of Diamond B. U. | Republic of China | William Lee | Male | 2001/01/01 | 651,000 | 0.45% | 1,000 | 0% | 0 | 0% | Master of Institute of Geosciences, National Taiwan University | (Note 7) | None | None | None | None |
| President of Semiconductor Materials B.U. | Republic of China | Tony Houng | Male | 2010/03/15 | 120,000 | 0.08% | 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 | 2017/06/13 | 620,000 | 0.42% | 10,000 | 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 | 2021/01/01 | 50,000 | 0.03% | 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% | M.B.A. of Senior Officer Enterprise Master Program, National Central University Bachelor, Department of Accounting, Tamkang University | (Note 6) | None | None | None | None |
| Audit Officer | Republic of China | Yi-Chun Ko | Female | 2007/11/30 | 22,500 | 0.02% | 0 | 0% | 0 | 0% | Institute of accounting, Tamkang University | None | None | None | None | None |
| Director of Abrasives B.U. | Republic of China | Chien-Chung Teng | Male | 2019/09/10 | 88,212 | 0.06% | 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 | 2016/05/01 | 60,572 | 0.04% | 2,000 | 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 | 2016/05/01 | 11,000 | 0.01% | 3,000 | 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 | 2020/05/01 | 40,000 | 0.03% | 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 | 2016/02/01 | 50,000 | 0.03% | 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 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), Director of MKS, Director of MGT

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, Director of MKS, Director of MGT

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), Supervisor of MKS

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.

Note 8: Director of MKS

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): None.

Note 1: Including the cost of providing the car, NT\$14,170 thousand. 2.: The Company did not actually pay or appropriate retirement benefits to directors in 2024.

Range of Remunerations of Directors Table

| Range of Remunerations 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) (Notes 1) | |
| | All companies | All companies included in the financial statements | All companies | All companies included in the financial statements |
| NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive) | Representative of Kinik Investment Co., Ltd.: Po-Chuan Lin/Jung-Che Hsieh Representative of Kinki Inv. Ltd. Company: William Lee/Tony Houng Li-He Inv. Ltd. Company Representative of Li-He Inv. Ltd. Company: Ching-Chung, Pai | Representative of Kinik Investment Co., Ltd.: Po-Chuan Lin/Jung-Che Hsieh Representative of Kinki Inv. Ltd. Company: William Lee/Tony Houng Li-He Inv. Ltd. Company Representative of Li-He Inv. Ltd. Company: Ching-Chung, Pai | Li-He Inv. Ltd. Company | Li-He Inv. Ltd. Company |
| NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive) | Kinik Investment Co., Ltd. Kinki Inv. Ltd. Company Kinchuan Investment Co. Ltd. Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai Shing-Yuan Tsai Baul-Hsie Liao Wen-Yi Hsiao | Kinik Investment Co., Ltd. Kinki Inv. Ltd. Company Kinchuan Investment Co. Ltd. Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai Shing-Yuan Tsai Baul-Hsie Liao Wen-Yi Hsiao | Kinik Investment Co., Ltd. Kinki Inv. Ltd. Company Kinchuan Investment Co. Ltd. Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai Shing-Yuan Tsai Baul-Hsie Liao Wen-Yi Hsiao | Kinik Investment Co., Ltd. Kinki Inv. Ltd. Company Kinchuan Investment Co. Ltd. Representative of Kinchuan Investment Co. Ltd.: Wen-Liang Pai Shing-Yuan Tsai Baul-Hsie 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 | Kinik Investment Co., Ltd. Representative: Po-Chuan Lin Li-He Inv. Ltd. Company Representative: Tony Pai | Kinik Investment Co., Ltd. Representative: Po-Chuan Lin Li-He Inv. Ltd. Company Representative: Tony 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. | Representative of Kinki Inv. Ltd. Company: William Lee Representative of Kinki Inv. Ltd. |

| | | | | |
|--|----------|----------|--|--|
| | | | Company: Director Tony Houng | Company: Director Tony Houng |
| NT\$15,000,000 (inclusive)~NT\$20,000,000 (exclusive) | None | None | Kinik Investment Co., Ltd. Representative: Jung-Che Hsieh | Kinik Investment Co., 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: NT\$ thousand

| 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-subsiidiary reinvested enterprise or parent company |
|---|----------------|------------------|---|------------------------|---|---------------------------------------|---|---------------------------|---------------------------------|--|---------------------------------|---|---|---|
| | | All companies | All companies included in the financial statements | All companies | All companies included in the financial statements | All companies | All companies included in the financial statements | All companies | | All companies included in the financial statements | | All companies | All companies included in the financial statements | |
| | | | | | | | | Cash amount | Monetary amount of shares | Cash amount | Monetary amount of shares | | | |
| Chief Sustainability Officer | Po-Chuan Lin | 15,927 | 15,927 | 0 | 0 | 17,100 | 17,100 | 27,129 | 0 | 27,129 | 0 | 60,156 5.81% | 60,156 5.66% | None |
| CEO | Jung-Che Hsieh | | | | | | | | | | | | | |
| Vice President of Abrasives B.U. | Shao-Chung Hu | | | | | | | | | | | | | |
| President of Diamond B. U. | William Lee | | | | | | | | | | | | | |
| President of Semiconductor Materials B.U. | Tony Houng | | | | | | | | | | | | | |
| Vice President of Chairman's Office | Tony Pai | | | | | | | | | | | | | |

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

Remuneration Range Table

| Range of Remunerations to Each President and Vice President of the Company | Names of the president and vice president | |
|--|---|--|
| | All companies (note 1) | All companies included in the financial statements |
| 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) | Po-Chuan Lin Tony Pai | Po-Chuan Lin Tony Pai |

| | Shao-Chung Hu | Shao-Chung Hu |
|---|---|---|
| NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive) | William Lee Tony Houng Jung-Che Hsieh | William Lee Tony Houng Jung-Che Hsieh |
| Total | 6 people | 6 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

Unit: Thousand NT\$

| | Title | Name | Monetary amount of shares | Cash amount | Total | Percentage of net profit after tax (%) |
|--------------------|---|------------------|---------------------------|-------------|--------|--|
| Managerial Officer | Chief Sustainability Officer | Po-Chuan Lin | 0 | 28,860 | 28,860 | 2.72% |
| | CEO | Jung-Che Hsieh | | | | |
| | President of Diamond B. U. | William Lee | | | | |
| | President of Semiconductor Materials B.U. | Tony Houng | | | | |
| | 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.

The remuneration of directors includes remuneration, salary and traveling expenses. The remuneration is based on the provisions of the Company's articles of association, and the Board of Directors prepares a distribution plan and submits it to the shareholders' meeting for payment. Traveling expenses are paid according to the market standard. 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 2024 year-end bonus policy was passed by the Remuneration Committee.

| Year Title | 2024 (Note) | | 2023 | |
|--|---------------|--|---------------|--|
| | All companies | All companies included in the financial statements | All companies | All companies included in the financial statements |
| Director | | | | |
| Presidents and vice presidents | 7.65% | 7.45% | 8.81% | 8.71% |
| Note: The amount of remuneration distributed in 2024 is the proposed amount. | | | | |

III. Corporate Governance Operation

(I) Operation of the Board of Directors

1. Information on the operation of the Board of Directors

A total of 6 general board meetings were held in the most recent year, and the attendance of

the directors is as follows:

| Title | Name | Actual number of attendance | Number of delegated attendants | Actual rate of attendance | Remarks |
|-------------|---|-----------------------------|--------------------------------|---------------------------|---------|
| Chairman | Kinik Investment Co., Ltd. Representative: Po-Chuan Lin | 6 | 0 | 100.00 | |
| Director | Kinchuan Investment Co. Ltd. Representative: Wen-Liang Pai | 6 | 0 | 100.00 | |
| Director | Kinik Investment Co., Ltd. Representative: Jung-Che Hsieh | 6 | 0 | 100.00 | |
| Director | Li-He Inv. Ltd. Company Representative: Tony Pai | 6 | 0 | 100.00 | |
| Director | Kinki Inv. Ltd. Company Representative: William Lee | 5 | 0 | 83.33 | |
| Director | Kinki Inv. Ltd. Company Representative: Tony Houng | 6 | 0 | 100.00 | |
| Independent | Shing-Yuan Tsai | 6 | 0 | 100.00 | |

| | | | | | |
|--|----------------|---|---|--------|--|
| Director | | | | | |
| Independent Director | Baul-Hsie Liao | 5 | 0 | 83.33 | |
| Independent Director | Wen-Yi Hsiao | 6 | 0 | 100.00 | |
| <p>Other matters to be recorded:</p> <p>I. 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: None.</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 evaluation on the Board of Directors

(1) The implementation of performance evaluation on the Board of Directors in 2024:

| Frequency of evaluation | Evaluation period | Scope of evaluation | Method of evaluation | Content of evaluation |
|-------------------------|--------------------------------|--------------------------|---|---|
| Once a year | January 1 to December 31, 2024 | 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 to December 31, 2024 | 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 to December 31, 2024 | Remuneration Committee Member | Remuneration 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 to December 31, 2024 | 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. |
|--|--|--|--|---|

(2) The Board of Directors' performance evaluation result 2024 is stated as following:

A. Board of Directors' performance evaluation

| Aspect | Indicator | Weight | Score |
|---|-----------|-------------|--------------|
| 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 |

Evaluation result: 5 major aspects, 44 indicators, and an overall score of 95.77 points, indicating that the overall operations and communication are proper.

Improvement: Composition and structure of the Board of Directors.

Suggestion: During the reelection of directors next year, the Company will elect directors of different genders, in order to implement that Board diversity policy, and to continue to arrange professional development plans for directors, such that directors are able to 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% | 19.26 |

| | | | |
|--|-----------|-------------|--------------|
| B. Comprehension of the responsibilities of the Directors. | 3 | 20% | 19.56 |
| C. Participation level in the management of the Company. | 8 | 20% | 19.17 |
| D. Management of internal relations and communication | 3 | 15% | 14.67 |
| E. Appointment of Director and continued education. | 3 | 10% | 9.78 |
| F. Internal control. | 3 | 15% | 14.44 |
| Total | 23 | 100% | 96.88 |

Evaluation results: 6 major aspects, 23 indicators and overall scores 96.88 points, indicating that the overall operation is successful.

Areas of improvement: Participation in the Company's operations

Suggestion: Properly use irregular communication meetings to allow directors to have an in-depth understanding of the Company's operation status and future development director, such that they can fully perform their duties during board meetings, supervise the Company's existing or potential risks, and the implementation and the tracking of the internal control system situation will be discussed.

C. Remuneration Committee Members' Self-Evaluation

| Aspect | Indicator | Weight | Score |
|--|-----------|-------------|--------------|
| A. Participation level in the management of the Company. | 4 | 30% | 30.00 |
| B. Comprehension of the responsibilities of the Remuneration Committee. | 5 | 30% | 28.40 |
| C. Enhancement of the decision-making quality of the Remuneration Committee. | 7 | 30% | 28.86 |
| D. Composition of the Remuneration Committee and appointment of members. | 3 | 10% | 9.56 |
| Total | 19 | 100% | 96.82 |

Evaluation results: 4 major aspects, 19 indicators and overall scores 96.82 points, indicating that the Committee is able to operate independently and effectively.

Improvement: Enhancing the awareness of the responsibilities of the

Remuneration Committee.

Suggestion: Establish clearer policies for the performance assessment and remuneration policy on directors and managerial officers periodically in the future, and link the performance of managerial officers to the sustainable development goals of the Company.

Audit Committee Members' Self-Evaluation

| Aspect | Indicator | Weight | Score |
|---|-----------|-------------|--------------|
| A. Participation level in the management of the Company. | 4 | 30% | 29.50 |
| B. Comprehension of the responsibilities of the Audit Committee. | 5 | 25% | 23.33 |
| C. Enhancement of the decision-making quality of the Audit Committee. | 7 | 25% | 23.57 |
| D. Composition of the Audit Committee and appointment of members. | 3 | 10% | 9.56 |
| E. Internal control. | 3 | 10% | 9.33 |
| Total | 22 | 100% | 95.29 |

Evaluation results: 5 major aspects, 22 indicators and overall scores 95.29 points, indicating that the Committee is able to operate independently and effectively.

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 held a total of 5 meetings in 2024 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 5 audit committee meetings were held in the most recent year. The member attendance status is as follows:

| Title | Name | Actual attendance number | Actual attendance rate (%) | Remarks |
|----------------------|-----------------|--------------------------|----------------------------|---------|
| Independent Director | Shing-Yuan Tsai | 5 | 100.00 | None |
| Independent Director | Baul-Hsie Liao | 5 | 100.00 | None |
| Independent Director | Wen-Yi Hsiao | 5 | 100.00 | None |

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: None.

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 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 2024. 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 |
|------------------------------|----------------|---|--|----------------------|
| 2024.02.27 | 1 | <ol style="list-style-type: none"> 1. Reporting of the Company's 2023 business report and consolidated and individual financial reports. 2. Issuance of the Company's internal control statement for 2023. 3. The Company's 2023 earnings distribution plan 4. Decision on the base date for the conversion of employee stock warrants into new shares for the fourth quarter of 2023. 5. Report on the Company's 2024 financial statements audit and verification appointment | It was agreed by all the members present, and the proposal was passed. | None. |
| 2024.04.24 | 2 | <ol style="list-style-type: none"> 1. The Company's consolidated financial statements for the first quarter of 2024 2. Decision on the base date for the conversion of employee stock warrants into new shares for the first quarter of 2024. 3. The Company's 2024 formulation of measures for employee stock option certificate issuance and stock | It was agreed by all the members present, and the proposal was passed. | None. |

| | | | | |
|------------|---|---|--|-------|
| | | <p>subscription.</p> <p>4. The Company's proposal to issue the first domestic unsecured convertible corporate bonds</p> <p>5. Amendment to the Company's "Risk Management Policy."</p> | | |
| 2024.07.31 | 3 | <p>1. The Company's consolidated financial statements for the first half of 2024.</p> <p>2. Decision on the base date for the conversion of employee stock warrants into new shares for the second quarter of 2024.</p> <p>3. Amendment to the ratification of the Company's 2024 employee stock option issuance and stock subscription method.</p> <p>4. The Company's issuance of employee stock options in 2024.</p> | It was agreed by all the members present, and the proposal was passed. | None. |
| 2024.10.29 | 4 | <p>1. The Company's consolidated financial statements for the first three quarters of 2024.</p> <p>2. The Company's 2024 additional budget for capital expenditures</p> <p>3. Decision on the base date for the conversion of employee stock warrants and convertible corporate bonds into new shares for the third quarter of 2024.</p> | It was agreed by all the members present, and the proposal was passed. | None. |
| 2024.12.24 | 5 | <p>1. The Company's risk, information security and integrity management implementation status in 2024</p> <p>2. The Company's Wafer BU</p> | It was agreed by all the members present, and the proposal | None. |

| | | | | |
|--|--|--|-------------|--|
| | | <p>Hsinchu Science Park production line expansion project</p> <p>3. The Company's 2025 audit plan</p> <p>4. Amendment to the Company's "Audit Committee Charter"</p> | was passed. | |
|--|--|--|-------------|--|

- (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:

None.

- (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:

None.

2. Supervisors' participation in the operation of the Board of Directors:

None.

(III) Regulations, member composition, responsibilities and implementation status of the Company's Remuneration Committee

1. Regulations:

(Basis of Establishment)

To improve the remuneration system for directors and managers, the Company has established this “Remuneration Committee Charter” (hereafter “the Charter”) for compliance pursuant to 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” (hereafter “Remuneration Committee Governing Regulations”) for compliance.

(Organizational Members)

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 Remuneration 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. When a member of the Committee is dismissed for any reason, resulting in less than three members, it is necessary to convene a Board of Directors' meeting within three months from the date of occurrence for supplemental appointment of members.

(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.

Suppose the decision-making matters for the remuneration of directors and managers of the Company's subsidiaries are subject to the approval of the Company's Board of Directors according to the subsidiary's hierarchical responsibility. In that case, this Committee must make the recommendations and

submit them to the Board of Directors for discussion.

(Meeting Convention)

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.

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.

(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 results of the voting in the preceding paragraph shall be reported on the spot and recorded.

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' meeting is discussing the recommendations made by this Committee, it shall comprehensively consider matters of the amount the remuneration, payment method and the future risk of the Company etc.

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.

A member of the Committee who has a personal interest in any of the matters at the meeting that may cause harm to the interest of the Company shall be recused. 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.

(Verification 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 may pass a resolution to retain attorneys, accountants, or other professionals to provide audit or consulting services on matters related to their duties. All costs thus incurred shall be borne by the Company.

(Subsequent Implementation)

Regarding the subsequent implementation of the matters resolved by the Committee, the Committee may authorize the convener or other committee members to take follow-up actions and provide verbal or written reports to the Committee during the period of implementation. The case shall be submitted to the next committee meeting for ratification if necessary.

2. Information of the Company's Remuneration Committee Members:

April 30, 2025

| Identity status (Note 1) | Name | Qualification | Years of service (Note 2) | Professional qualification and experience (Note 3) | Independence status (Note 4) | Number of concurrent Remuneration Committee member of other public companies |
|---------------------------------------|-----------------|---------------|---------------------------------|---|------------------------------------|---|
| Independent Director (Convener) | Shing-Yuan Tsai | | 7.88 | Please refer to pages 10-12 for information on the disclosure of directors' professional qualifications and independent director independence. | | 1 |
| Independent Director | Baul-Hsie Liao | | 7.88 | | | None |
| Independent Director | Wen-Yi Hsiao | | 4.88 | | | 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 Remuneration 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 Remuneration Committee:

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

The Remuneration 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 | Shing-Yuan Tsai | 5 | 0 | 100% | Consecutive term of office |
| Member | Baul-Hsie Liao | 5 | 0 | 100% | Consecutive term of office |
| Member | Wen-Yi Hsiao | 5 | 0 | 100% | Consecutive term of office |

Other matters to be recorded:

- I. In the event where the Remuneration Committee's proposal is rejected or amended in a Board of Directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the Company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the Board of Directors approve a solution that was more favorable than the one proposed by the Remuneration Committee).

None.

- II. In case where any member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed.

None.

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

| Session number | Convention date | Reason for discussion | Resolution |
|----------------|-----------------|--|-----------------------|
| 1 | 2024.02.27 | 1. Distribution of year-end bonuses to associate | Agreed by all members |

| | | | |
|---|------------|---|--|
| | | <p>managers and audit supervisors.</p> <p>2. Adjustment to the total amount of year-end bonus for Vice Presidents of DBU.</p> <p>3. Distribution of the Company's 2023 employees' remuneration and directors' remuneration..</p> | <p>present and passed.</p> |
| 2 | 2024.04.24 | <p>1. The Company's salary adjustment for the current year.</p> <p>2. The Company's 2024 establishment of measures for employee stock option certificate issuance and stock subscription..</p> | <p>Agreed by all members present and passed.</p> |
| 3 | 2024.06.24 | <p>1. Adjustment of the managerial officers' bonus of the current year (excluding the senior managers).</p> <p>2. Proposal for bonuses of the managerial officers and audit officer of the Company.</p> <p>3. Proposal for distribution of remuneration of directors of the Company.</p> <p>4. Proposal for distribution of remuneration of managerial officers of the Company.</p> | <p>Agreed by all members present and passed.</p> |
| 4 | 2024.07.31 | <p>1. Amendment to the ratification of the Company's 2024 employee stock option issuance and stock subscription method.</p> <p>2. The Company's issuance of employee stock options in 2024.</p> <p>3. The managerial officers' bonus of the current year (excluding the senior managerial officers).</p> | <p>Agreed by all members present and passed.</p> |

| | | | |
|---|------------|---|--|
| 5 | 2024.12.24 | <p>1. On September 13, 2024, the Executive Yuan approved the basic salary adjustment plan..</p> <p>2. Proposal for 2024 year-end bonus.</p> <p>3. Additional establishment of the “Grinding Solution Center” on January 2025.</p> | <p>Agreed by all members present and passed.</p> |
|---|------------|---|--|

Note:

(1) If a member of the Remuneration 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 Remuneration Committee during the term of service and the actual number of attendance.

(2) Before the end of the year, if the Remuneration Committee is re-elected, the new and incumbent Remuneration 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 Remuneration 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 of Establishment)

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. At the time of voting, if there is no objection

after consultation by the chairperson of the committee, the resolution shall be deemed passed, and the effect of consultation 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 | Please refer to pages 10-12 for information on the disclosure of directors' professional qualifications and independent director independence. |
| Vice Chairman | Wen-Liang, Pai | | |
| Independent Director | Shing-Yuan Tsai | | |
| Independent | Baul-Hsie Liao | | |

| | | | |
|----------------------|--------------|--|--|
| Director | | strategies for corporate 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 2 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 | 0 | 100% | None |
| Member | Wen-Liang, Pai | 2 | 0 | 100% | None |
| Member | Shing-Yuan Tsai | 2 | 0 | 100% | None |
| Member | Baul-Hsie Liao | 2 | 0 | 100% | None |
| Member | Wen-Yi Hsiao | 2 | 0 | 100% | None |

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

| Session number | Convention date | Reason for discussion | Resolution |
|----------------|-----------------|--|---|
| 1 | 2024.07.31 | ESG Implementation Report of the Company | Agreed by all members present and passed. |
| 2 | 2024.12.24 | The Company's ESG implementation status and stakeholder communication status | 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 principles based on the “Corporate Governance Best-Practice Principles for TWSE/TPEX 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 has established the spokesperson system, and has also set up the email box for investors, such that the Company is able to 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 Companies. |
| (III) Has the Company | V | | The Company has established the | Already completed in |

| Evaluation items | Operation Status | | | Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|---|------------------|----|---|--|
| | Yes | No | Summary description | |
| <p>established and implemented risk management practices and firewalls for companies it is affiliated with?</p> <p>(IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?</p> | V | | <p>"Operational Guidelines for Financial and Business Transactions Among Related Parties" to govern the business and financial transactions between the Company and its affiliates.</p> <p>The Company has established the "Regulations Governing Handling of Material Inside Information and Prevention of Insider Trading" to govern the insider trading.</p> | <p>accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> |
| <p>III. Composition and responsibilities of the Board of Directors</p> <p>(I) Has the Board of Directors formulated a diversity policy, specific management objectives, and implemented them for its members?</p> | V | | <p>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.)</p> | <p>Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> |
| <p>(II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion?</p> | V | | <p>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.</p> | <p>Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> |
| <p>(III) Has the Company established a set of</p> | V | | <p>In order to fulfill the corporate governance and improve the Board</p> | <p>Already completed in accordance with the</p> |

| Evaluation items | Operation Status | | | Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|------------------|----|--|--|
| | Yes | No | Summary description | |
| <p>policies and evaluation 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?</p> <p>(IV) Does the Company assess the independence of external auditors regularly?</p> | | | <p>of Directors' performance and set the goals to improve the Board of Directors' operations, the Company has established the Regulations Governing Performance Evaluation on the Board of Directors in accordance with Article 37 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies." The performance evaluation 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.</p> <p>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 retention 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 evaluation 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 Evaluation 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 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.</p> | <p>Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> <p>Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.</p> |

| Evaluation items | Operation Status | | | Performance of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and the reasons |
|--|------------------|----|---|--|
| | Yes | No | Summary description | |
| | | | 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. Has the publicly listed company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholders' meetings, company registration and changes, preparation of board meeting and shareholders' meeting minutes etc.)? | V | | The corporate governance personnel 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. In addition, stock affairs personnel are also established to concurrently act as the corporate governance personnel, in order to assist the handling of corporate governance related affairs. | Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. |
| V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social | V | | The Company has set up the spokesperson system, and the email box dedicated to processing complaints from employees, suppliers and consumers/customers. Meanwhile, the Company | 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 | |
| responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)? | | | 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. | |
| VI. Has the Company commissioned a professional stock agency institution to handle shareholders' meeting affairs? | 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? (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)? (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 stipulated deadlines? | V V V | | Investors may access the information about the Company's finance, business and corporate governance practices via the Company's website and MOPS. 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. 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. Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. Already completed in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. |
| VIII. Does the Company have other important | V | | While keeping normal business development and maximizing | 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 | |
| information helpful for understanding its corporate governance (including but not limited to employee rights and interests, employee care, investor relations, supplier relationships, stakeholders' rights, directors' and supervisors' continuing education, implementation of risk management policies and risk measurement standards, execution of customer policies, and the Company's purchase of liability insurance for the directors and supervisors)? | | | 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. | 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"> For Evaluation Indicator 4.22, the Company is expected to invest resources in supporting domestic cultural development this year. For Evaluation Indicator 4.23, and the Company plans to strengthen the link between the salary and remuneration of senior managerial officers and ESG performance evaluation 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 emphasizes gender equality of the composition of the Board of Directors, and aims to have the Board of Directors consisting of at least one-third directors of different gender. Currently, the Board members consists of male directors. In the future, the Company will strive to increase the number of female directors, and plan to elect at least one director of

different gender during the reelection of the next term of Board of Directors. 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.

| Core competency Name | Basic qualifications and value | | | | | | Professional knowledge and skill | | | | | | | |
|-------------------------|--------------------------------|--------|-----------------|--------------------------|----------|----------|----------------------------------|---------------------|--------------------|----------------------|--|---------------------|--------------------------------------|---------------------|
| | Title | Gender | Nationality | Age | | | Industry experience | | | Professional ability | | | | |
| | | | | Less than 40 (inclusive) | 41 to 50 | 51 to 60 | Above 60 (inclusive) | Financial insurance | Electric machinery | Semi-conductor | Business administration and accounting | Financial insurance | Technology and intellectual property | Public relationship |
| Po-Chuan Lin | Chairman | Male | R.O.C. (Taiwan) | | √ | | | | √ | | √ | | | √ |
| Wen-Liang Pai | Vice chairman | Male | R.O.C. (Taiwan) | | | | √ | | √ | | √ | | | √ |
| Jung-Che Hsieh | Director | Male | R.O.C. (Taiwan) | | | | √ | | | √ | | | √ | |
| Tony Pai | Director | Male | R.O.C. (Taiwan) | | √ | | | | | √ | | | √ | |
| William Lee | Director | Male | R.O.C. (Taiwan) | | | √ | | | | √ | √ | | | √ |
| Tony Houng | Director | Male | R.O.C. (Taiwan) | | | | √ | | | √ | √ | | | |
| Shing-Yuan Tsai | Independent Director | Male | R.O.C. (Taiwan) | | | | √ | | √ | | | | √ | |
| Baul-Hsie Liao | Independent Director | Male | R.O.C. (Taiwan) | | | | √ | √ | | | | √ | | |
| Wen-Yi Hsiao | Independent Director | Male | R.O.C. (Taiwan) | | √ | | | | | | √ | | | √ |

2. Continuing education for corporate governance officers

| Title | Name | Course title | Hours |
|-------------------------------|---------------|--|-------|
| Corporate Governance Director | Yung-Sheng Ku | Friendly workplace established under the Labor Standards Act - introduction to the latest Gender Equality in Employment Act and of illegal infringement case study Prevention of insider trading and case study 2024 Insider Trading Prevention Educational Seminar Common deficiencies in financial statements review and professional workshop course for common issues in acquisition/disposal of assets | 12 |

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


Kin k Company
Independent Auditor's Independence Evaluation Form
November 2024

2024 Independent Auditor's Firm Name: Deloitte Taiwan

2023 Independent Auditors: CPA Ming-Hsien Liu, CPA Yung-Hsiang Chao

| Item | Independence Evaluation Item | Whether the independence criteria are satisfied | |
|------|---|---|----|
| | | 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 | V | |

| | | | |
|----|--|---|--|
| | work of the Company with fixed pay. | | |
| 11 | The independent auditors never engage in any joint venture or share profits with the Company. | V | |
| 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 and their spouses or dependents have never served as the Company's directors, supervisors, managers or any function that would pose a direct and material impact to the audit work. | V | |
| 15 | The independent auditors issued the "Statement of Independence." | V | |

Conclusion:

To the Statement of Independence issued by CPA Ming-Hsien Liu and CPA Yung-Hsiang Chao 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 evaluation standards based on the Company's comprehensive evaluation.

Kinik Company Audit Committee

2025 Audit Quality Index (AQI) Evaluation Form - Deloitte Taiwan

| AQI indicator | Measurement focus | Information hierarchy | Correlation with audit quality |
|---|--|-----------------------|--|
| Aspect 1: Professionalism | | | |
| Audit experience (1-1) | Whether the senior auditors have sufficient audit experience to perform the audit. | Firm & 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 |
| Aspect 2: Quality Control | | | |
| Accountant's load (2-1) | Is the workload of the accountant too heavy? | Firm & Cases | Negative correlation |
| Audit input (2-2) | Is the input of the audit team members appropriate in each stage of the audit. | CPA firm & Case | Positive correlation |
| EQCR review status (2-3) | Whether EQCR accountants dedicate sufficient hours to the review of the audit cases. | CPA firm & case | Positive correlation |
| Quality control support (2-4) | Does the firm have sufficient quality control manpower to support the audit team? | CPA firm | Positive correlation |
| Aspect 3: Independence | | | |
| Non-audit service fee (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) |
| Aspect 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 letter for | Same as above | CPA firm & case | Negative correlation |

| | | | |
|--|---|----------|----------------------|
| improvement (4-2) | | | |
| Aspect 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 2025 financial statements.

Signature of Independent Director:

Date of Evaluation: February 26, 2025

Kinik Company Audit Committee

2025 Audit Quality Index (AQI) Evaluation Form - Deloitte Taiwan

| AQI indicator | Measurement focus | Information hierarchy | Correlation with audit quality |
|---|--|-----------------------|--|
| Aspect 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 |
| Aspect 2: Quality Control | | | |
| Accountant's load (2-1) | Is the workload of the accountant too heavy? | Firm & Cases | Negative correlation |
| Audit input (2-2) | Is the input of the audit team members appropriate in each stage of the audit. | CPA firm & Case | Positive correlation |
| EQCR review status (2-3) | Whether EQCR accountants dedicate sufficient hours to the review of the audit cases. | CPA firm & Case | Positive correlation |
| Quality control support (2-4) | Does the firm have sufficient quality control manpower to support the audit team? | CPA firm | Positive correlation |
| Aspect 3: Independence | | | |
| Non-audit service fee (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) |
| Aspect 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 letter for | Ibid. | CPA firm & Case | Negative correlation |

| | | | |
|--|---|----------|----------------------|
| improvement (4-2) | | | |
| Aspect 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 2025 financial statements.

Signature of Independent Director:

Date of Evaluation: February 26, 2025

Kinik Company Audit Committee

2025 Audit Quality Index (AQI) Evaluation Form - Deloitte Taiwan

| AQI indicator | Measurement focus | Information hierarchy | Correlation with audit quality |
|---|--|-----------------------|--|
| Aspect 1: Professionalism | | | |
| Audit experience (1-1) | Whether the senior auditors have sufficient audit experience to perform the audit. | Firm & 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 |
| Aspect 2: Quality Control | | | |
| Accountant's load (2-1) | Is the workload of the accountant too heavy? | Firm & Cases | Negative correlation |
| Audit input (2-2) | Is the input of the audit team members appropriate in each stage of the audit. | CPA firm & Case | Positive correlation |
| EQCR review status (2-3) | Whether EQCR accountants dedicate sufficient hours to the review of the audit cases. | CPA firm & Case | Positive correlation |
| Quality control support (2-4) | Does the firm have sufficient quality control manpower to support the audit team? | CPA firm | Positive correlation |
| Aspect 3: Independence | | | |
| Non-audit service fee (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) |
| Aspect 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 letter for | Ibid. | CPA firm & Case | Negative correlation |



| | | | |
|--|---|----------|----------------------|
| improvement (4-2) | | | |
| Aspect 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 2025 financial statements.

Signature of Independent Director:

Date of Evaluation: February 26, 2025

4. The Statement of Independence issued by the CPAs.

(1) CPA Ming-Hsien Liu

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113.12.9 勤審 11309289 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 113 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查核與核閱之獨立性」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) CPA Yung-Hsiang Chao

Deloitte.**勤業眾信**勤業眾信聯合會計師事務所
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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. Continuing education and training related to corporate governance attended by the directors, supervisors and managerial officers in 2024:

| Title | Name | Course title | Hours |
|----------|--|--|-------|
| Chairman | Kinik Investment Co., Ltd. Representative: Po-Chuan Lin | Prevention of insider trading and case study Friendly workplace established under the Labor Standards Act - introduction to the latest Gender Equality in Employment Act and of illegal infringement case study Uncovering the competitiveness of Taiwanese enterprises under global competition | 9 |
| Director | Kinchuan Investment Co. Ltd. Representative: Wen-Liang Pai | Prevention of insider trading and case study Corporate Governance Forum Major challenge of internationalization and secrets to growth decisions of Japanese enterprises Friendly workplace established under the Labor Standards Act - introduction to the latest Gender Equality in Employment Act and of illegal infringement case study Achieving corporate growth through strategic mergers and acquisitions Benchmark learning on how to achieve core technology breakthroughs Corporate Governance Forum | 21 |
| Director | Kinik Investment Co., Ltd. Representative: Jung-Che Hsieh | Prevention of insider trading and case study Major challenge of internationalization and secrets to growth decisions of Japanese enterprises Friendly workplace established under the Labor Standards Act - introduction to the latest Gender Equality in Employment Act and of illegal infringement case study Uncovering the competitiveness of Taiwanese enterprises under global competition Benchmark learning on how to achieve core technology breakthroughs | 15 |
| Director | Li-He Inv. Ltd. Company Representative: Tony Pai | Prevention of insider trading and case study Discussion on corporate governance blueprint and practice Benchmark learning on how to achieve core technology breakthroughs | 9 |
| Director | Kinki Inv. Ltd. Company Representative: William Lee | Prevention of insider trading and case study 2024 Insider trading prevention educational seminar | 6 |

| Title | Name | Course title | Hours |
|-------------------------|---|---|-------|
| Director | Kinki Inv. Ltd. Company Representative: Tony Houng | Prevention of insider trading and case study 2024 Insider trading prevention educational seminar Friendly workplace established under the Labor Standards Act - introduction to the latest Gender Equality in Employment Act and of illegal infringement case study | 9 |
| Independent Director | Shing-Yuan Tsai | Protection of trade secrets Friendly workplace established under the Labor Standards Act - introduction to the latest Gender Equality in Employment Act and of illegal infringement case study | 6 |
| Independent Director | Baul-Hsie Liao | Friendly workplace established under the Labor Standards Act - introduction to the latest Gender Equality in Employment Act and of illegal infringement case study Anti-money laundering (AML) prevention and case study - Latest development and practice related to AML prevention and counter terrorist financing (CTF) | 6 |
| Independent Director | Wen-Yi Hsiao | Prevention of insider trading and case study Friendly workplace established under the Labor Standards Act - introduction to the latest Gender Equality in Employment Act and of illegal infringement case study | 6 |

(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 Companies and the reasons

| 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 | |
| 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? (TWSE/TPEX listed companies shall report the implementation status, not belong to compliance or interpretation.) | V | | <p>(1) The establishment of the Corporate Sustainability Committee Charter of Kinik Company was approved by the Board of Directors' meeting on October 27, 2021, in order to promote sustainable operations and corporate social responsibility. The Committee consists 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>The Board of Directors of Kinik Company has approved the establishment of the Sustainable Development Committee in 2021. The Chairman acts as the chairperson of the Committee, and the Vice Chairman and the Independent Directors act as the members of the Committee. The Committee is responsible for supervising the implementation of ESG by the Executive Committee established under the Sustainable Development Committee, and the results of the annual sustainable implementation are regularly reported to the Board of Directors (at least once semi-annually).</p> <p>For the Executive Committee, the CEO serves as the commander of this committee, and its members include Presidents of various Business Units and the Vice President of the Chairman's Office. Various functional task forces are established under the Executive Committee, including the Sustainable Environment and Occupational Safety seven teams of and Health Group, Green Innovation, Employee Relations and Social Participation, Information Security, Sustainable Procurement, Corporate Governance, and Smart Manufacturing. Heads of related units above the manager level (inclusive) are appointed to act as team leaders to be responsible for</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>the promotion of various sustainable development plans. In 2024, the Company has fully implemented various promotion plans according to the sustainability goals and plans established by the Company, including: expansion of the inventory inspection of Scope 3 emissions, introduction of various energy-saving and carbon reduction measures, and establishment of water resource management system implementation plan, etc. In addition, each team also reports the implementation outcome and progress periodically.</p> <p>The Sustainable Development Committee held a total of two meetings in 2024, and reported the ESG implementation status and the implementation plan for the next year to the Board of Directors on July 31, 2024 and December 24, 2024, respectively. The Board of Directors also fulfills its supervisory responsibility by inquiring and responding to questions timely, and reviews the current management policy and strategy, in order to supervise the management team to make proper adjustments.</p> | |
| <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) (TWSE/TPEX listed companies shall report the implementation status, not belong to compliance or interpretation.)</p> | V | | <p>The Company conducts regular assessments of operational-related risks, including environment, society and corporate governance aspects. The assessment boundaries include the relationships between the Company's five manufacturing and operation sites and various product processes and customers. The assessment process includes the impact of stakeholders on economic, environmental and social issues. The major topics concerned by the assessment results include climate change, information security management, human rights and human resources. For various relevant topics and risk control, the Company summarizes the domestic and foreign sustainability topics, and distributes questionnaires to the internal and external stakeholders defined by the Company. The questionnaire data is collected and analyzed, and based on the principle of "dual materiality: financial materiality and impact materiality", the impact level of topics are assessed. The topics are sorted according to the positive and negative impacts, and the material topics of the Company are then identified. The Company further establishes and</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 | |
| | | | tracks management policies, and discloses the implementation results in the Sustainability Report. | |
| <p>III. Environmental topic</p> <p>(I) Has the Company developed an appropriate environmental management system, given the distinctive characteristics of its industry?</p> <p>(II) Has the Company made efforts for the efficient use of energy and used renewable materials for mitigating the impact on the environment?</p> <p>(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?</p> | <p>V</p> <p>V</p> <p>V</p> <p>V</p> | | <p>For the time being, the five factory premises (Yingge/Hsinchu/Zhubei/Shulin/Hsinchu Science Park) have completed and passed the certification of, ISO14001:2015 environmental management system. In 2024, SGS Taiwan Ltd. conducted a re-verification once every three years to verify the system's applicability and effectiveness, and the Company has obtained the certificate successfully. 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.</p> <p>The Company is committed to the improvement and measures for reducing the energy consumption. In each plant, other than the regular report as required by laws, up to 2024, 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. In addition, the Company prioritizes the assessment of low energy consumption, non-toxicity, recyclability, and energy saving benefits during the procurement process, and also purchases products causing less environmental damage and lower</p> | <p>No difference.</p> <p>No difference.</p> <p>No difference.</p> |

| 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 | |
| (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? | | | <p>pollution levels. Accordingly, the Company fulfills the commitment in green procurement and enhances the corporate green image.</p> <p>The domestic and foreign climate risk topics are summarized by the Company and questionnaires are distributed to the heads of the responsible units of the Company. In addition, questionnaires are collected for data analysis on the topic occurrence probability, impact level, and potential weakness. A climate risk matrix is created to identify the priority sequence of risk topics, in order to establish short, medium, and long-term goal plans, and to assess the expected investment resources. For detailed information, please refer to the Sustainability Report of the Company.</p> <p>In response to climate change topics, the Company continues to promote energy conservation and carbon reduction through quarterly carbon reduction meetings, and also reviews the overall carbon emissions status of the Company, in order to adjust or specify the implementation direction in a timely manner, thereby reducing the risks of climate change on the Company's operations.</p> <p>1. Statistical data on greenhouse gas (GHG) emissions in the last two years (1) 2023: Direct emissions were 8,333.8667 tCO₂e; indirect energy emissions were 34,084.5986 tCO₂e; (2) 2024: Direct emissions were 7,165.8441 tCO₂e; indirect energy emissions were 29,833.9115 tCO₂e; (3) For the 2024 inventory data, the external verification has been completed on April 28, 2025, and the verification statement is expected to be obtained in June.</p> <p>2. Water consumption: Total water consumption in 2023: 1,519.104 million liters Total water consumption in 2024: 1,600.329 million liters</p> <p>3. Wastes: Total weight of wastes in 2023: 1,632.95 tons; general wastes of 1,610.12 tons, and hazardous waste of 22.83 tons. Total weight of wastes in 2024: 1,604.52 tons; general wastes of 1,565.53 tons, and hazardous</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>waste of 38.99 tons.</p> <p>3. Various goals</p> <p>(1) Energy saving and carbon reduction goal: The Company sets the goal of carbon reduction by 3% and electricity saving of 2% annually, and performs review and outcome follow-up on energy saving and carbon reduction measures through the net zero goal and carbon reduction action project meetings of the Company.</p> <p>(2) Water resource management goal: The Company sets the goal of water withdrawal reduction by 1% and water recycling rate increase by 1.5% annually. The recycled water at each plant accounts for approximately 6.5%~22%. The measures include: reuse of the water recovered from the process, recovery of cooling water, recovery and reuse of RO water and continuous enhancement of water recovery and reuse measures.</p> <p>(3) Waste goal: Waste resource ratio is maintained at above 90%, and shall increase by at least 1% annually. 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. We continuously match various waste materials with recycling vendors for final disposal and ensure proper sorting at the source.</p> | |
| <p>IV. Social topics</p> <p>(I) Has the Company formulated relevant management policies and procedures in accordance with relevant laws and regulations of International Bill of Human Rights?</p> <p>(II) Has the Company established and implemented reasonable employee welfare measures</p> | <p>V</p> <p>V</p> | | <p>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.</p> <p>In accordance with the Labor Standards Act, the Company has established attendance management</p> | <p>No difference.</p> <p>No difference.</p> |

| 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 | |
| (including compensation, vacation and other benefits), and properly reflected the operating performance or results in employee compensation? | V | | 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 measures are formulated for employee performance evaluation, in order to reward employees with excellent performance and improve work morale. | No difference. |
| (III) Does the Company provide employees with a safe and healthy work environment? Are Employees trained regularly on safety and health issues? | V | | 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. The Company organizes 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 provides new employees with the related orientation training (e.g., new employees' onboard and breakdown of work, etc.), thereby achieving a 100% completion rate for educational training. | No difference. |
| (IV) Has the Company established an effective career development training program for its employees? | V | | 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. | 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 | V | | 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. In 2024, there were a total of 9 occupational disasters, and the number of occupational accident victims was 9 people, with the occupational injury rate (IR) of 2.37 and the loss days ratio (LDR) of 33.41. No fire incident occurred in 2024. We are committed to creating an atmosphere that | 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>standards, and establish relevant policies on consumer or customer protection and complaint procedure?</p> <p>(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?</p> | | | <p>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.</p> <p>The Company's products and services are marketed and labeled 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.</p> <p>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.</p> | |
| <p>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?</p> | V | | <p>According to the standards announced by the Global Reporting Initiative (GRI), the Company prepares one edition of the Sustainability Report annually. The second edition of the Sustainability Report has been released in August 2024, and has passed the verification conducted by BSI Taiwan according to the AA1000 Assurance Standard v3. The content of the Sustainability Report also makes reference to the standards of the Sustainability Accounting Standards Board (SASB) and the TCFD (Task Force on Climate-Related Financial Disclosures) framework for disclose. The Sustainability Reports over the past years (https://csr.kindom.com.tw/csreport/) are disclosed on the Company's website.</p> | 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 | |
| VI. | | | <p>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> | |
| VII. | | | <p>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 Xiying 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." | |
| (15) | | | 2024 CDP Climate Change Questionnaire of Class B; and Water Safety Questionnaire of Class C | |
| (16) | | | The Company participated in the international CSA survey questionnaire for the first time in 2024. | |
| (17) | | | GHG inventory with expansion of inventory items and scope was introduced in 2024. | |
| (18) | | | Demonstration factories for introduction of water resource management system was selected in 2024. | |

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. In addition, the of environmental, social, and corporate governance issues related to corporate operation risk management policies or strategies of the Company as well as evaluation status thereof shall be explained.

Note 2: The materiality principle refers to relevant environment, society and corporate governance issues having material impacts on the investors and other interested parties of the Company.

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>The Company has identified and assessed climate risks and opportunities through the climate risk and opportunity assessment process. The short-term occurrence period is defined as 1-3 years, the mid-term occurrence period is 3-5 years, and the long-term occurrence period is more than 5 years. The main climate risks and opportunities are established as a reference for strategic formulation and promotion.</p> <p>[Risks]</p> <p>Short-term - transition risk - regulatory policies: Collection of carbon fee/carbon tax, increase of the proportion of renewable energy, etc., requiring continuous expansion of the inventory scope, introduction of various energy-saving measures and management systems, continuous evaluation on the renewable energy purchase mechanism and the overall demand, and planning of the required facilities and scale for the new plant, can cause increase of the operating cost of the Company.</p> <p>Short-term - immediate risk - drought and water shortage: Required installation of water storage equipment and continuous improvement of overall water and recycling water ratio, and planning of introduction of water resource management system, can cause increase of the operating cost of the Company.</p> <p>Long-term - transition risk - market: Product competitiveness may be reduced, and it is necessary to understand the main emission points of the carbon footprint of various products while actively developing low-carbon products and technologies, and seeking low-carbon raw materials at the same time. If the Company fails to respond to customer demands in time, it may result in a loss of orders and a decline in revenue.</p> <p>[Opportunities]</p> <p>Short-term - resource efficiency: Through energy efficiency improvement, resource recycling and reuse, continuous discovery of energy-saving gaps, active promotion of various energy-saving measures, and expansion of various product recycle and re-fabrication technologies, such that if low-carbon product development is successful, the Company's revenue can be increased.</p> <p>Short-term - enhancement of information transparency: Through regular review of the achievement of ESG goals, disclosure of the performance of related strategies for sustainability as public information, active participation in international questionnaires, and gaining of the trust of investors and customers, the Company's revenue can be increased.</p> <p>Mid-term - Market: The Company aims to enter the green product supply chain, complete the greenhouse gas inventory every year, expand the scope</p> |

| | |
|--|--|
| | and items of the inventory, and continuously update the effectiveness of product carbon footprint, and establish sustainable strategies and goals based on the customer's schedule. If the market demands can be satisfied, the Company's orders and revenues can be increased. |
| 3. Describe the financial impacts of extreme climate events and transformational actions. | In response to the extreme climate and climate change, the Company actively promotes carbon management and water resource management measures, and is committed to mitigating the impact of the extreme climate. The specific plans include continuous optimization of the carbon inventory system, promotion of carbon reduction projects, improvement of water efficiency, expansion of the application of recycle and re-fabrication technologies, and seeking of the hot spots of product carbon footprint. In addition, the Company plans to establish an assessment mechanism and internal carbon pricing to further promote sustainable development. In the short term, the Company will invest resources in the promotion of various measures. The Company will optimize the carbon inventory system and plans to invest NT\$1 million and to purchase 15 million KWH of green power between 2024 and 2027. In addition, the Company will improve water resource management, increase water efficiency and recycling systems, and strengthen the installation of water storage devices at the same time. In terms of energy efficiency improvement, the Company will focus on improving the hot spots of carbon emissions, and invest in energy-saving facilities and sensor technology. To ensure the successful progress of the project, the Company plans to invest NT\$6 million on consulting services. |
| 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. | Integrate the work management of all units in the face of climate change topics, inspect the current status of the Company, establish short, medium, and long-term goals and plans for the future, and assess the expected resources to be invested as the factors to be considered for the stipulation of project budgets. |
| 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. | In 2022, the Company has introduced the TCFD Framework for the first time, in order to establish a management mechanism for climate-related topics based on the four core aspects of "governance, strategy, risk management, indicators and goals", thereby identifying the climate impact of the current situation of the Company, and establishing short, medium and long-term adoption plans. The Company will continue to identify and review climate risks and opportunities, plan and adopt measures, 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. | To achieve the goal of net zero emission by 2050, the Company has assessed relevant climate risks and opportunity topics through the climate risk and opportunity identification and assessment process. The Company has identified three transition risks and one physical risk for the risks, and has formulated relevant goals and plans accordingly, including the reduction of carbon emissions by 3% and energy consumption by 2% annually, increase of the total water withdrawal recycle and reuse rate by 1.5% from previous year annually, and reduction of the total water consumption by 1% from last year annually. The Company will continue to optimize the carbon inventory system, promote carbon reduction projects, improve the water resource utilization efficiency while strengthening the installation of water storage devices and expanding the application of recycling and reutilization technology at the same time. The Company will also plan and execute renewable energy for self-construction and self-use or will purchase green power certificates based on the characteristic planning of the plant sites. |
| 7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated. | Driven by climate change topics, including the EU's Carbon Border Adjustment Mechanism (CBAM), the US Clean Competition Act (CCA), and Taiwan's carbon fee measures, the Company treats carbon as a valuable resource essential for management. The Company will refer to domestic and international carbon pricing and various fee benchmarks to establish the Company's carbon pricing. |

| | |
|---|---|
| <p>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).</p> | <p>The Company has declared to achieve the goal of carbon neutrality by 2050, and has set the annual carbon reduction of 3% (Scope 1 and Scope 2), energy saving of 2%, and has also set the renewable energy goal of achieving RE30 by 2030. The Company will continue to plan the installation of solar energy facilities in the plant site and purchase of green power. In 2024, 5,000 renewable energy certificates have been purchased for a total 500,000 KWH of green power.</p> |
| <p>9. Greenhouse gas inventories, assurance status, and reduction targets, strategies, and concrete action plans (please fill in 1-1 and 1-2 separately).</p> | <p>Please refer to the following 1-1 and 1-2</p> |

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

1-1-1 Greenhouse Gas Inventory Information

| |
|--|
| <p>Describe the greenhouse gas emission volume (metric tCO₂e), intensity (metric tCO₂e/NT\$ million), and data coverage for the most recent two years.</p> |
| <p>(1) GHG emissions: covering the parent company</p> <p>1. 2023: Direct emissions were 8,333.8667 tCO₂e; indirect energy emissions were 34,084.5986 tCO₂e; intensity was 7.17 tCO₂e/NT\$ million</p> <p>2. 2024: Direct emissions were 7,165.8441 tCO₂e; indirect energy emissions were 29,833.9115 tCO₂e; intensity was 5.6 tCO₂e/NT\$ million</p> |

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

| |
|---|
| <p>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.</p> |
| <p>The 2023 GHG inventory of the parent company has been completed in 2024. The external verification of the 2024 inventory data has been completed on 2025/4/28, and the verification statement is expected to be obtained in June. The verification statement will be updated on the Company's website, and the complete assurance information will be disclosed in the Sustainability Report. In addition, the Company has completed the Group's inventory in 2024, and the complete inventory information will be disclosed in the Sustainability Report. The</p> |

Company plans to conduct the 2025 external verification of the Group's 2025 GHG Scopes 1 and 2 in 2026, consistent with the scope of the financial statements.

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, with the base year of 2021. The 2021 emission data was 53,632.283 tCO₂e. The Company has set the annual goal of carbon reduction of 3% and power saving of 2%. In 2024, through the measures of equipment replacement and process optimization, in comparison to the base year of 2021, Category 1 (direct emission) GHG emission reduction was 1,388.68 tCO₂e, and Category 2 (energy indirect emission) GHG emission reduction was 7,526.15 tCO₂e. The total of both emissions was 8,914.82 tCO₂e, with a decrease of 19.42%, such that the annual goal of carbon reduction of 3% has been achieved.

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 status of the Company's fulfillment of ethical management and 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 | Implementation 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 | 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. 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. |
| (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 | | | 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 | | | No difference. |

| Evaluation items | Implementation 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? | | | <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 trade secrets to prohibit the disclosure of trade 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> | |
| <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 | 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> | <p>No difference.</p> <p>No difference.</p> |
| (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 Directors its ethical corporate | | | <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 filing of reports and other related</p> | |

| Evaluation items | Implementation 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 | |
| management policy and plan to prevent unethical behavior as well as its supervision of the implementation? | | | operations and supervision. The team reports to the Board of Directors at least once a year, and its main duties are as follows: 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. 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. 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. IV. Promoting and coordinating the promotion and training of integrity policy. V. Planning the whistle-blowing system and ensuring the effectiveness of its implementation. 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. VII. To prepare and properly keep documents related to the ethical | |
| (III) Does the Company have a conflict of interest prevention policy to provide appropriate channels for explanation and implement it? | V | | | No difference. |
| (IV) Has the Company implemented effective accounting and internal control systems to maintain business integrity? Are these | V | | | Incorporated into future plans |

| Evaluation items | Implementation 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>systems reviewed by internal or external auditors on a regular basis?</p> <p>(V) Does the Company regularly conduct internal and external training for ethical corporate management?</p> | | | <p>corporate management policy, the statement of compliance, the fulfillment of commitments, and the implementation status.</p> <p>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.</p> <p>The Company has established effective accounting and internal control systems regularly checked by the internal audit unit.</p> <p>The Company has not yet organized internal and external training on ethical management; however, ethics-related advocacy meetings have been organized irregularly. For example, the Company organized the "Insider Trading Prevention and Case Study" during Q4 of 2024, to promote the concept of insider trading prevention to insiders.</p> | |

| Evaluation items | Implementation 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> <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> <p>(III) Does the Company take measures to protect the accuser from improper treatment due to the accusation?</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> <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> <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 guarantees to protect the whistleblower from improper treatment due to the report and complaint. Improper dispositions</p> | <p>No difference.</p> <p>No difference.</p> <p>No difference.</p> |

| Evaluation items | Implementation 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 | |
| | | | include but are not limited to dismissal, dismissal, demotion, salary reduction, damage to their rights and interests according to laws, contracts or customs, or other unfavorable dispositions. | |
| <p>IV. Enhancement of Information Disclosure</p> <p>Does the Company disclose the content and promotion effect of its ethical corporate management best practice principles on its website and MOPS?</p> | 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 | Implementation 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 that is helpful in understanding the corporate ethical management operation of the Company? (Such as, the Company has the corporate ethical management best practice principles amended, etc.): 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 trade secrets, and provide companies with complete intellectual property protection.

2. Governance Structure of Intellectual Property Management

The Company's CEO Office is in charge of the supervision of the Company's overall operational planning and execution, intellectual property 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) management of 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 to prevent disputes.
- (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 2024 intellectual property management plan was reported to the Board of Directors in December 2024.

5. Implementation Status

The Company continues to deploy in various intellectual property fields. In terms of patent layout, as of February 2025, the Company has applied for more than 560 patents at home and abroad, and the total number of approved patents with patent certificates obtained has exceeded 380; 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 100. 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) 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.

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

1. Statement of Internal Control:

See page 114 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:

None.

(XII) 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 |
|-----------|--------------------|--|---|
| 2024.2.27 | Board of Directors | <ol style="list-style-type: none"> 1. Distribution of year-end bonuses to associate managers and audit supervisors 2. Distribution of the Company's 2023 employees' remuneration and directors' remuneration. 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. | All independent directors approved. |
| 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." | Approved by all independent directors. |
| 2024.6.24 | Board of Directors | <ol style="list-style-type: none"> 1. Progress report on the acquisition of Dongguan Kinktrading Co Ltd. by the Company's subsidiary Jinli Investment Co., Ltd. 2. Adjustment of the managerial officers' bonus of the current year (excluding the senior managers). 3. Proposal for bonuses of the managerial officers and audit officer of | Approved by all independent directors. |

| Date | Session number | Important resolutions | Independent directors' opinions and the Company's handling of independent directors' opinions |
|------------|--------------------|---|---|
| | | <p>the Company.</p> <ol style="list-style-type: none"> 4. Remuneration distribution to the Company's directors. 5. Remuneration distribution to the Company's senior managers. | |
| 2024.07.31 | Board of Directors | <ol style="list-style-type: none"> 1. Report on liability insurance enrollment for directors and key employees. 2. Report on ESG implementation status. 3. Completion of the preparation of the 2023 Sustainability Report. 4. The Company's consolidated financial statements for the first half of 2024. 5. Decision on the base date for the conversion of employee stock warrants into new shares for the second quarter of 2024. 6. Amendment to the ratification of the company's 2024 employee stock option issuance and stock subscription method. 7. The Company's issuance of employee stock options in 2024. 8. The managers' bonus of this year (excluding the senior managers). | All independent directors approved. |
| 2024.10.29 | Board of Directors | <ol style="list-style-type: none"> 1. The Company's consolidated financial statements for the first three quarters of 2024. 2. The Company's 2024 additional budget for capital expenditures 3. Decision on the base date for the conversion of employee stock warrants and convertible corporate bonds into new shares for the third quarter of 2024. | All independent directors approved. |
| 2024.12.24 | Board of Directors | <ol style="list-style-type: none"> 1. Report on the ESG implementation status and stakeholder communication status. 2. The Company's risk, information security and integrity management implementation status in 2024. 3. Report on the result of the review on the qualifications of the independent directors during their term of office. 4. The Company's taxation management Implementation status. 5. Conclusion on the review of the minimum wage for 2025 according to the "Minimum Wage Review Committee" proposed by the Ministry of Labor and approved by the Premier of the Executive Yuan on September 13, 2024. 6. Proposal for 2024 year-end bonus. 7. Proposal for new establishment of the "Grinding Solution Center" on January 1, 2025, official personnel transfer date: April 1, 2025, and appointment of the President and remuneration of the President and Assistant Vice President. 8. The Company's Wafer BU Hsinchu Science Park production | Approved by all independent directors |

| Date | Session number | Important resolutions | Independent directors' opinions and the Company's handling of independent directors' opinions |
|------------|--------------------|--|---|
| | | expansion project. | |
| 2025.01.22 | Board of Directors | 1. Proposal for the Company's investments in two companies of "Mitsui Grinding Wheel Co., Ltd. (referred to as "MKS")" located in Japan and "Mitsui Grinding Technology (Thailand) Co., Ltd. (referred to as "MGT")" located in Thailand under Japan Mitsui Mining & Smelting Co., Ltd. | Approved by all independent directors. |
| 2025.02.26 | Board of Directors | <ol style="list-style-type: none"> 1. Distribution of year-end bonuses to associate managers. 2. Distribution of the Company's 2024 employees' remuneration and directors' remuneration. 3. Reporting of the Company's 2024 business report and consolidated and individual financial statements. 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 2024 earnings distribution proposal. 7. Decision on the base date for the conversion of employee stock warrants into new shares for the fourth quarter of 2024. 8. Change the independent auditors in line with the internal adjustment of the CPA firm. 9. Report on the Company's 2025 financial statements audit and verification appointment. 10. Proposal for convention of the 2025 general shareholders' meeting. | Approved by all independent directors. |
| 2025.04.01 | Board of Directors | <ol style="list-style-type: none"> 1. Report on the completion of the equity delivery of MJC/MGT. 2. To support the operational development of the subsidiary of the Company, MAX KINIK SEIMITSU COMPANY LIMITED (former company name: MITSUI GRINDING WHEEL CO., LTD., and renamed to MAX KINIK SEIMITSU COMPANY LIMITED according to approval of the shareholders' meeting on 2025/2/27, and became effective on 2025/4/1, referred to as "MKS"), the Company plans to loan the fund of JYP 1.2 billion to MKS. 3. To support the operational development of the subsidiary of the Company, MAX KINIK SEIMITSU COMPANY LIMITED (former company name: MITSUI GRINDING WHEEL CO., LTD., and renamed to MAX KINIK SEIMITSU COMPANY LIMITED according to approval of the shareholders' meeting on 2025/2/27, and became effective on 2025/4/1, referred to as "MKS"), the | Approved by all independent directors. |

| Date | Session number | Important resolutions | Independent directors' opinions and the Company's handling of independent directors' opinions |
|--|--------------------|---|---|
| | | <p>Company plans to apply for short-term loan with Mizuho Bank, Ltd. For MKS, and to provide endorsement and guarantee for MKS. In addition, the Chairman is authorized to sign the guarantee related documents.</p> <p>4. Seal custody for the Procedures for Making of Endorsements/Guarantees</p> | |
| 2025.4.29 | Board of Directors | <ol style="list-style-type: none"> 1. The Company's consolidated financial statements for the first quarter of 2025. 2. The Company newly established the "Electroplating Business Division" on February 1, 2025. 3. The Company's salary adjustment for the current year. 4. Proposal for salary of personnel of the rank of Assistant Vice President. 5. Proposal for specifying the scope of entry-level employees of the Company. 6. The Company's 2025 additional budget for capital expenditures. 7. Proposal for the Company's capital increase for the subsidiary Jinli Investment Co., Ltd. 8. Decision on the base date for the conversion of employee stock warrants into new shares for the first quarter of 2025. 9. Proposal for amendment to the "Procedures for Loaning Funds to Others" of the Company. 10. Proposal for amendment to the "Regulations for Providing Endorsements and Guarantees" of the Company. 11. Proposal for amendment to the Company's "Articles of Association". 12. Addition of reasons for convening the Company's 2025 general shareholders' meeting. | All independent directors approved. |
| <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 |
|------------|-----------------------|---|
| 2024.06.24 | Shareholders' Meeting | 1. Proposal for amendment to the Company's "Articles of Association". |

(XIII) 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.

None.

(XIV) 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 | | 1 | 3 |
| Stock Affairs Specialist | | 1 | - |
| Certified Internal Auditor (CIA) | | 1 | - |
| Certification in Risk Management Assurance (CRMA) | | 1 | - |

(XV) Important resolutions of the 2024 shareholders' meeting and implementation status.

1. Approval of the Company's 2023 final accounts:

Implementation status: The certification of the Company's 2023 financial report was completed by CPA Ming-Hsien Liu and CPA Yung-Hsiang Chao of Deloitte Taiwan; the independent auditor's report and review report were submitted, respectively.

2. 2023 Remuneration for Directors and Supervisors and Employees Compensation:

Directors' cash remuneration was NT\$13,800,000, and employees' cash remuneration was NT\$104,500,000; both were paid on July 26, 2024.

3. The Company's 2023 earnings distribution proposal:

Implementation status: The actual earnings distribution in 2023 was cash dividend for a total of NT\$580,082,000 to shareholders, with July 7, 2024 set as the ex-dividend date, and August 2, 2024 as the date of cash dividend distribution; the cash dividend was NT\$4.00 per share.

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

Implementation status: Resolution passed.

IV. CPA Public Expense Information

Unit: NT\$ thousand

| Accounting firm's name | Accountant's name | Accountant review period | Audit fee | Non-audit public expense | Total | Remarks |
|------------------------|---------------------|----------------------------|-----------|---|-------|---------|
| Deloitte Taiwan | Ming-Hsien Liu | 2024.01.01 ~ 2024.12.31 | 4,450 | Tax audit fees, miscellaneous expenses for typing and printing, travel, and others: 2,046 | 6,496 | |
| | Yung-Hsiang Chao | 2024.01.01 ~ 2024.12.31 | | | | |

Please state the contents of non-audit services (e.g., tax compliance audit, assurance letters, or other financial advisory 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.

V. Change of independent auditor: None.

(I) Regarding former CPA

| | | | |
|--|---|-------------------------|------------|
| Change date | February 26, 2025 | | |
| Describe reason for replacement | Starting from the first quarter of 2025, the independent auditor of the Company has changed from CPA Yung-Hsiang Chao to CPA Chien-Wei Chen due to the internal job duty adjustment of the accounting firm. | | |
| Explain why the appointee or CPA is terminated or refuses to | Contract party Condition | Independent Auditors | Appointers |

| | | | |
|--|---|----------------|------------------------------------|
| accept appointment. | Voluntary termination of appointment | Not applicable | Not applicable |
| | No longer accept (continue) appointment | Not applicable | Not applicable |
| Review report opinions other than the unqualified opinions issued within the latest 2 years, and why they exist: | None | | |
| Is there any disagreement with the issuer? | Yes | | Accounting principles or practices |
| | | | Disclosure of financial reports |
| | | | Scope or steps of inspection |
| | | | Others |
| | None | V | |
| | Explanatory Notes | | |
| Other disclosure items (items that must be disclosed according to Points I-IV to I-VII, Subparagraph VI, Article X of this provision). | None | | |

(II) Information about the succeeding auditor

| | |
|---|-------------------|
| CPA firm name | Deloitte Taiwan |
| Accountant's name | Chien-Wei Chen |
| Date of appointment | February 26, 2025 |
| Prior to appointment, accounting treatment methods for specific transactions or accounting principles as well as consultation matters and results for financial reports that may be issued. | None |
| Written opinion by the | None |



| | |
|--|--|
| successor CPA on the dissenting opinion of the former CPA. | |
|--|--|

(III) Reply letter from the former independent auditor on matters related to paragraph 6(1) and (2)(3) of Article 10 of this Guidelines.

None.

VI. 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.

None.

VII. 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

| Job title | Name | 2024 | | Up to April 21 for 2025 | |
|---|--------------------------------------|--|---------------------------------------|--|---------------------------------------|
| | | 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 | Kinik Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| | Legal representative: Po-Chuan Lin | 0 | 0 | 0 | 0 |
| Director | Kinchuan Investment Co. Ltd. | 0 | 0 | 0 | 0 |
| | Legal representative: Wen-Liang, Pai | 0 | 0 | 0 | 0 |
| Director | Kinik Investment Co., Ltd. | 0 | 0 | 0 | 0 |
| CEO | Legal representative: Jung-Che Hsieh | 0 | 0 | 0 | 0 |
| Director | Li-He Inv. Ltd. Company | 0 | 0 | 0 | 0 |
| Vice President of Chairman's Office | Legal representative: Tony Pai | 0 | 0 | 0 | 0 |
| Director | Kinki Inv. Ltd. Company | 0 | 0 | 0 | 0 |
| | Legal representative William Lee | 0 | 0 | 0 | 0 |
| President of Diamond B. U. | Kinki Inv. Ltd. Company | 0 | 0 | 0 | 0 |
| Director | Legal representative Tony Houng | 0 | 0 | 110,000 | 0 |
| President of Semiconductor Materials B.U. | Shing-Yuan Tsai | 0 | 0 | 0 | 0 |
| Independent Director | Baul-Hsie Liao | (15,000) | 0 | 0 | 0 |
| Independent Director | Wen-Yi Hsiao | 0 | 0 | 0 | 0 |
| CFO | Yung-Sheng Ku | 0 | 0 | 0 | 0 |
| Vice President of Diamond B.U. | Jui-Lin Chou | (40,000) | 0 | 0 | 0 |
| Vice President of Abrasives B.U. | Shao-Chung Hu | 10,000 | 0 | (20,000) | 0 |
| Director of Abrasives B.U. | Chien-Chung Teng | 9,000 | 0 | 29,000 | 0 |
| Director of Semiconductor Materials B.U. | Chi-Tung Tsai | 19,000 | 0 | 40,000 | 0 |
| Director of Semiconductor Materials B.U. | Wen-Hsiung Chou | 24,000 | 0 | (13,000) | 0 |
| Director of Semiconductor Materials B.U. | Tien-Chi Cheng | 20,000 | 0 | 20,000 | 0 |
| R&D Director | James Ho | (15,000) | 0 | 20,000 | 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.

VIII. 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 or 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 (Designation) | Relationship | |
| Representative of Kinik Investment Co., Ltd.: Man-Li Lin Chen | 9,892,423 | 6.76 | - | - | - | - | 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 | |
| Investment Account of Central Bank of Norway managed by Citibank | 7,018,450 | 4.8 | - | - | - | - | None | None | |
| YANG-LIANG PAI | 6,454,372 | 4.41 | 2,143,539 | 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 | 6,168,865 | 4.22 | - | - | - | - | Kinik Investment Co., Ltd. Yang-Liang Pai Wen-Liang, Pai | The company's Chairman Relative within 2nd degree of kinship Relative within 2nd degree of kinship | |
| Representative of KINKI INV LTD. COMPANY: Po-Chuan Lin | 4,796,000 | 3.28 | - | - | - | - | Man-Li Lin Chen | Relative within 1st degree of kinship | |
| Representative of Kinchuan Investment Co. Ltd.: Wen-Liang, Pai | 4,117,167 | 2.81 | - | - | - | - | 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 | |

| Name | Shareholding of the person | | Shareholding of spouse or 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 (Designation) | Relationship | |
| | | | | | | | | kinship | |
| Nan Shan Life Insurance Co., Ltd. | 3,845,000 | 2.63 | - | - | - | - | None | None | |
| Wen-Liang, Pai | 3,190,605 | 2.18 | 1,310,940 | 0.90 | - | - | Kinchuan Investment Co. Ltd. Yang-Liang Pai Man-Li Lin Chen | Director of the Company The company's Chairman Relative within 2nd degree of kinship Relative within 2nd degree of kinship | |
| Fubon Life Insurance Co., Ltd. | 3,150,000 | 2.15 | - | - | - | - | None | None | |
| Representative of Li-He Inv. Ltd. Company: YANG-LIANG PAI | 2,471,420 | 1.69 | - | - | - | - | 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.

IX. 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; %

| Investee (Note) | Investment by the Company | | Held by Directors, Supervisors, managerial officers, and directly/indirectly controlled entities | | Overall Investment | |
|--|---------------------------|-------------------------|--|-------------------------|--------------------|-------------------------|
| | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage | Number of shares | Shareholding percentage |
| 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 | 6.0% | 0 | 0% | 2,000,000 | 6.0% |
| MAX KINIK SEIMITSU COMPANY LIMITED | 800,000 | 100% | 0 | 0% | 800,000 | 100% |
| MAX KINIK Grinding Technology Co., Ltd | 19,319,312 | 77.67% | 5,449,037 | 21.90% | 24,768,349 | 99.57% |

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

III. Fundraising status

I. Capital and shares

(I) Approved share capital:

April 21, 2025; Unit: shares

| Type of shares | Approved share capital | | | Remarks |
|----------------------------|------------------------|-----------------|-------------|---------|
| | Outstanding shares | Unissued shares | Total | |
| Registered ordinary shares | 146,277,234 | 53,722,766 | 200,000,000 | Listed |

Note: The total number of shares issued as of April 19, 2025 was 146,277,234 shares, including 326,800 shares exercised by employees from January 1, 2025 to April 19, 2025, but the change registration with the Ministry of Economic Affairs has not yet been processed.

(II) Source of share capital:

April 19, 2025; Unit: shares

| Year / Month | 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 | Others |
| 2004/10 | 10 | 90,000,000 | 900,000,000 | 67,600,000 | 676,000,000 | Capital increase from earnings 67,600,000 | None | Note 1 |
| 2005/11 | 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 |
| 2005/11 | 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 |
| 2006/9 | 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 |
| 2007/9 | 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 |
| 2008/9 | 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 |
| 2021/8 | 10 | 200,000,000 | 2,000,000,000 | 141,543,000 | 1,415,430,000 | Conversion of stock options of NT\$740,000 | None | Note 9 |

April 19, 2025; Unit: shares

| Year / Month | 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 | Others |
| 2021/12 | 10 | 200,000,000 | 2,000,000,000 | 141,778,000 | 1,417,780,000 | Conversion of stock options of NT\$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 of NT\$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 of NT\$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 of NT\$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 of NT\$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 NT\$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 of NT\$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 of NT\$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 of NT\$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 of NT\$2,512,500 | None | Note 19 |
| 2024/5 | 10 | 200,000,000 | 2,000,000,000 | 145,080,500 | 1,450,805,000 | Conversion of stock options of NT\$1,370,000 | None | Note 20 |
| 2024/8 | 10 | 200,000,000 | 2,000,000,000 | 145,148,000 | 1,451,480,000 | Conversion of stock options of NT\$675,000 | None | Note 21 |
| 2024/12 | 10 | 200,000,000 | 2,000,000,000 | 145,806,134 | 1,458,061,340 | Conversion of stock options of NT\$6,564,000 Conversion of convertible bonds of NT\$17,340 | None | Note 22 |
| 2025/3 | 10 | 200,000,000 | 2,000,000,000 | 145,950,434 | 1,459,504,340 | Conversion of stock options of NT\$1,443,000 | None | Note 23 |
| 2025/4 | 10 | 200,000,000 | 2,000,000,000 | 146,277,234 | 1,462,772,340 | Conversion of stock options of NT\$3,268,000 | None | Note 24 |

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 for capital increase with issuance of 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 for capital increase with issuance of 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 for capital increase with issuance of 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 for capital increase with issuance of 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 for capital increase with issuance of 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 for capital increase with issuance of 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-Zi No. 10901212790 for capital increase with issuance of 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-Zi No. 11001087080 for capital increase with issuance of 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-Zi No. 11001147220 for capital increase with issuance of 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-Zi No. 11001208100 for capital increase with issuance of 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-Zi No. 11101041530 for capital increase with issuance of 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-Zi No. 11101079670 for capital increase with issuance of 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-Zi No. 11101156470 for capital increase with issuance of 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-Zi No. 11101217370 for capital increase with issuance of 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-Zi No. 11230040870 for capital increase with issuance of 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-Zi No. 11230084050 for capital increase with issuance of 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-Zi No. 11230157270 for capital increase with issuance of 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-Zi No. 11230214900 for capital increase with issuance of 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-Zi No. 11330042310 for capital increase with issuance of new shares.
- Note 20: 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-Zi No. 11330076890 for capital increase with issuance of new shares.
- Note 21: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on September 6, 2024 via the letter referenced Jing-Shou-Shang-Zi No. 11330152480 for capital increase with issuance of new shares.
- Note 22: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on December 16, 2025 via the letter referenced Jing-Shou-Shang-Zi No. 11330201610 for capital increase with issuance of new shares.
- Note 23: This capital increase was approved by the Commercial Department of the Ministry of Economic Affairs of the Executive Yuan on March 20, 2025 via the letter referenced Jing-Shou-Shang-Zi No. 11430034300 for capital increase with issuance of new shares.
- Note 24: With respect to the employee stock options already executed from January 1, 2025 to April 19, 2025, 326,800 shares in total, no registration of changes has been done.

(III) List of major shareholders:

April 19, 2025

| Name of major shareholders | Number of shares held (shares) | Shareholding ratio (%) |
|--|--------------------------------|------------------------|
| Kinik Investment Co., Ltd. | 9,892,423 | 6.76 |
| Investment Account of Central Bank of Norway managed by Citibank | 7,018,450 | 4.8 |
| Yang-Liang Pai | 6,454,372 | 4.41 |
| Man-Li Lin Chen | 6,168,865 | 4.22 |
| Kinki Inv. Ltd. Company | 4,796,000 | 3.28 |
| Kinchuan Investment Co., Ltd. | 4,117,167 | 2.81 |
| Nan Shan Life Insurance Co., Ltd. | 3,845,000 | 2.63 |
| Wen-Liang, Pai | 3,190,605 | 2.18 |
| Fubon Life Insurance Co., Ltd. | 3,150,000 | 2.15 |
| Lihe Investment Co., Ltd. | 2,471,420 | 1.69 |
| Total | 51,104,302 | 34.93 |

(IV) 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 | | \$1,804,667,086 |
| Defined Benefit plan re-measurement recognized in retained earnings confirmed | | 44,307,247 |
| Adjustment to unappropriated earnings due to the adoption of the equity method of investment | | 2,242,771 |
| | | 1,851,217,104 |
| Add: Net profit for the period | 1,035,002,688 | |
| Less: Provision of legal reserve | (108,155,271) | |
| Less: Special reserve appropriated pursuant to laws | (598,805) | |
| Subtotal | | 926,248,612 |
| Earnings available for distribution for this period | | 2,777,465,716 |
| The distribution is as follows: | | |
| Bonus to shareholders - cash (2.7/share) | | (394,318,622) |
| Unappropriated retained earnings at the end of the period | | \$2,383,147,094 |

Note: The dividend distribution proposed at the current shareholders' meeting: The Board of Directors resolved the 2024 earnings distribution on February 26, 2025. The cash dividend of NT\$394,318,622 (NT\$2.7 per share) for 2024 distribution of cash dividends to shareholders from the net income after tax of NT\$1,035,002,688. The Company also intended to appropriate NT\$189,857,114 of the capital reserve from the premium from the issuance of shares in excess of the par value to distribute cash dividend of NT\$1.3 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. It is to be distributed after the approval of by 2025 general shareholders' meeting.

Chairman: Po-Chuan, Lin

Managerial Officer: Jung-Che, Hsieh

Accounting Officer: Yung-Sheng Ku

(V) 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.

(VI) 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 2024 distribution of remuneration of employees in cash of NT\$135,000,000, and the remuneration of directors in cash of 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 2023 remuneration of employees of NT\$104,500,000 in cash and the remuneration of directors of NT\$13,800,000 for directors in cash were distributed in 2024, which were consistent with the proposed distribution approved by the



original Board of Directors.

(VII) Status on repurchase of the Company's shares:

None.

II. Status of corporate debt handling

| Types of corporate bonds (Note 2) | | First domestic unsecured convertible corporate bonds (Note 5) |
|---|--|--|
| Issuance (handling) date | | June 24, 2024 |
| Par value | | NT\$100 thousand |
| Issuance and transaction place (Note 3) | | Taipei Exchange |
| Issuance price | | 118.38 |
| Total | | NT\$1 billion |
| Interest rate | | 0% |
| Period | | 5 years, Maturity date: June 24, 2029 |
| Guaranteed institution | | None |
| Trustor | | KGI Bank Co., Ltd. |
| Underwriting Institution | | KGI Securities Co. Ltd. |
| Certified Attorney | | Not applicable |
| Certified Public Accountant | | Not applicable |
| Repayment method | | Please refer to Article 6 of the “First domestic unsecured convertible corporate bond issuance and conversion procedures” of the Company for details. |
| Outstanding principal | | 999,500,000 |
| Redemption or early repayment clause | | Please refer to Article 18 of the “First domestic unsecured convertible corporate bond issuance and conversion procedures” of the Company for details. |
| Restrictive clause (Note 4) | | None. |
| Name of credit rating agency, rating date, rating result of corporate bonds | | Not applicable. |
| Other rights attached | As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities | Up to the date of April 30, 2025, the aggregate converted ordinary shares is 1,734 shares, and the conversion face value of NT\$500,000. |

| | |
|--|--|
| Procedures for issuance and conversion (exchange or subscription) | Please refer to the convertible corporate bond issuance and conversion procedures of the Company for details. |
| Issuance and conversion, exchange or subscription method, issuing condition dilution on equity and impact on existing shareholders' equity | For the issuance of NT\$1 billion of unsecured convertible corporate bonds, based on the conversion price of NT\$292.1 at the time of issuance, if all the bonds are converted for approximately 3,423,485 shares, then the dilution ratio is 2.35%. |
| Name of transfer agent for the transfer subject matter | Not applicable |

Note 1: The issuance status of the corporate bonds includes the public and private placement corporate bonds in process. Public corporate bonds in process refer to those that have been approved by the FSC; private placement corporate bonds in process refer to those that have been approved by the Board of Directors.

Note 2: The number of fields can be adjusted depending upon the actual number of issuance in practice.

Note 3: It refers to the information of overseas corporate bonds.

Note 4: It refers to restrictive distribution of cash dividends, external investment, or request for maintenance of certain percentage of assets, etc.

Note 5: For private placement, it should be highlighted for indication.

Note 6: For convertible corporate bonds, corporate bonds under exchange agreement, corporate bonds issued under the corporate bond issuance agreement, or corporate bonds with warrants, the information of convertible corporate bonds, corporate bonds under exchange agreement, corporate bonds issued under the corporate bond issuance agreement, or corporate bonds with warrants should be listed in the form of a table according to the nature of the bonds.

Information on corporate bond conversion

| Corporate bond type (Note 1) | | First domestic unsecured convertible corporate bonds | |
|--|---|---|--|
| Item | Year | 2024 | Up to April 30, 2025 for the current year (Note 4) |
| | Market price of the corporate bond (Note 2) | Highest | 141.85 |
| Lowest | | 113.00 | 98.70 |
| Average | | 127.57 | 111.35 |
| Convertible price | | 288.2 | 288.2 |
| Issue (processing) date and conversion price at issuance | | June 24, 2024, the conversion price at issuance was NT\$292.1 | |

| | |
|--|------------------------|
| Performance of conversion obligation method (Note 3) | Issuance of new shares |
|--|------------------------|

Note 1: The number of fields can be adjusted depending upon the actual number of issuance in practice.

Note 2: If the overseas corporate bonds are traded in multiple places, the places of trade are listed separately according to the transaction places.

Note 3: It refers delivery of issued shares or issuance of new shares.

Note 4: The data for the current year up to the printing date of the annual report shall be provided.

III. Status of special shares handling

None.

IV. Status of overseas depository receipts handling

None.

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, 2025

| Type of employee stock options | 1st employee stock option certificate in 2018 |
|---|---|
| Effective date of registration and total units | 2018.7.20、2,500 |
| Issuance (processing) date | 2018.7.26 |
| Number of units issued | 2,500 |
| Number of units available for issuance | 0 |
| Ratio of subscription shares issued to total shares issued | 1.709% |
| 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 | 2,405,000 shares |
| Amount of executed share subscriptions | NT\$143,109,899 |
| Number of outstanding shares not converted from stock options | 30,000 shares |
| Subscription price per share of the unsubscribed shares | NT\$55.40 |
| Ratio of the number of outstanding shares for number of outstanding shares not converted from stock options (%) | 0.021% |
| 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. |

April 30, 2025

| Type of employee stock options | 1st employee stock option certificate in 2020 |
|--------------------------------|---|
|--------------------------------|---|

| | |
|---|---|
| Effective date of registration and total units | 2020.6.22 、2,500 |
| Issuance (processing) date | 2020.7.29 |
| Number of units issued | 2,500 |
| Number of units available for issuance | 0 |
| Ratio of subscription shares issued to total shares issued | 1.709% |
| 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 | 2,152,500 shares |
| Amount of executed share subscriptions | NT\$127,374,400 |
| Number of outstanding shares not converted from stock options | 321,000 shares |
| Subscription price per share of the unsubscribed shares | NT\$57.8 |
| Ratio of the number of outstanding shares for number of outstanding shares not converted from stock options (%) | 0.219% |
| 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 canceled upon termination of employment

| | |
|--|---|
| Type of employee stock options | 1st employee stock option certificate in 2022 |
| Effective date of registration and total units | 2022.6.23 、2,500 |
| Issuance (processing) date | 2022.7.26 |
| Number of units issued | 2,500 |
| Number of units available for issuance | 0 |

| | |
|---|---|
| Type of employee stock options | 1st employee stock option certificate in 2022 |
| Ratio of subscription shares issued to total shares issued | 1.709% |
| 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 | 718,000 shares |
| Amount of executed share subscriptions | 109,638,602 shares |
| Number of outstanding shares not converted from stock options | 1,728,000 shares |
| Subscription price per share of the unsubscribed shares | NT\$152.7 |
| Ratio of the number of outstanding shares for number of outstanding shares not converted from stock options (%) | 1.181% |
| 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: 54,000 shares were canceled upon termination of employment

| | |
|--|---|
| Type of employee stock options | 1st employee stock option certificate in 2024 |
| Effective date of registration and total units | 2024.6.24 、2,500 |
| Issuance (processing) date | 2024.7.31 |
| Number of units issued | 2,500 |
| Number of units available for issuance | 0 |
| Ratio of subscription shares issued to total shares issued | 1.713% |
| 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 | 2,494,000 shares |
| Subscription price per share of the unsubscribed shares | NT\$311 |
| Ratio of the number of outstanding shares for number of outstanding shares not converted from stock options (%) | 1.709% |
| 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: 6,000 shares were canceled upon termination of employment

(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 | | | | |
| Chairman and Chief Sustainability Officer | Po-Chuan Lin | 2,814,000 | 1.92% | 1,883,500 | Issued in 2018 | 124,626,450 | 1.29% | 954,500 | Issued in 2018 | 55.40 | 124,814,150 | 0.65% | | | |
| Vice President | Tony Pai | | | | | | | | | | | | 61.70 | Issued in 2020 | 152.7 |
| CEO | Jung-Che Hsieh | | | | | | | | | | | | 59.10 | | |
| President of Diamond B. U. | William Lee | | | | | | | | | | | | 58.00 | Issued in 2022 | 152.7 |
| President of Semiconductor Materials B.U. | Tony Hung | | | | | | | | | | | | 56.10 | | |
| Vice President of Abrasives B.U. (Note) | Shao-Chung Hu | | | | | | | | | | | | 55.40 | Issued in 2022 | 152.7 |
| Vice President of Diamond B.U. | Jui-Lin Chou | | | | | | | | | | | | 60.60 | | |
| CFO | Yung-Sheng Ku | | | | | | | | | | | | 57.80 | Issued in 2022 | 152.7 |
| | | | | | | | | | | | | | 57.80 | | |

| | | | | | | | | | | |
|--|---------------------|-----------|-------|-----------|------------|-------|---------|------------|-------|--|
| Audit Director | Yi-Chun Ko | | | | | | | | | |
| R&D Director | James Ho | | | | | | | | | |
| Director of Abrasives B.U. | Chien-Chung Teng | | | | | | | | | |
| Director of Semiconductor Materials B.U. | Wen-Hsiung Chou | | | | | | | | | |
| Director of Semiconductor Materials B.U. | Chi-Tung Tsai | | | | | | | | | |
| Director of Semiconductor Materials B.U. | Tien-Chi Cheng | | | | | | | | | |
| Top Ten Employees | Tien-Yu Wu | 1,445,000 | 0.99% | 1,077,000 | 74,190,400 | 0.74% | 182,000 | 49,076,100 | 0.12% | |
| | I-Chang Lin | | | | | | | | | |
| | Yu-Yu Liu | | | | | | | | | |
| | Chih-Chun Hsu | | | | | | | | | |
| | Min-Hung Wu | | | | | | | | | |
| | Hsiang-Kun Hsieh | | | | | | | | | |
| | Chung-Hsin E (Note) | | | | | | | | | |
| | Shih-Ming Su | | | | | | | | | |



| | | | | | | | | | | | |
|--|----------------|--|--|--|--|--|--|--|--|--|--|
| | Chun-Cheng Lin | | | | | | | | | | |
| | Yun-Ju Chen | | | | | | | | | | |

Remarks:

- I. The former Director Shao-Chung Hu of Abrasives B.U. was promoted to Vice President of Abrasives B.U. on January 1, 2022, and served as the Acting President of the Abrasives B.U. On February 1, 2022; Chairman Po-Chuan Lin concurrently acted as the Chief Sustainability Officer on June 20, 2023.
- II. Mr. Chung-Hsin E, one of the top ten employees, retired on March 31, 2025.

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

None.

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

None.

VIII. Implementation status of capital utilization plan

Up to the printing date of annual report of last quarter, any previous issuances or private placements of securities not yet been completed or those completed in the last three years with plan effectiveness not yet revealed: None.

(I) Plan content

| | |
|--|--|
| Item | First domestic unsecured convertible corporate bonds |
| Competent Authority Approval Date and Document No. | Jin-Guan-Zheng-Fa-Zi No. 1130345166 Letter of Financial Supervisory Commission dated May 31, 2024. |
| Total amount of fund required for the plan | The total fund required for the plan was NT\$1,183,769 thousand, and the actual fund raised was NT\$1,183,769 thousand. The Company has completed the fundraising on June 21, 2024. The purpose of this plan is to repay bank loans, which can save interest expenses and reduce the dependence on financial institutions while strengthening the Company's financial structure and improving the solvency at the same time. |

(II) Implementation Status

Unit: NT\$ thousand

| Plan item | Expected completion time | Total fund required | Expected fund utilization progress | | Actual fund utilization progress | |
|-------------------------------|--------------------------|---------------------|------------------------------------|-------------|----------------------------------|-------------|
| | | | 2024 | 2024 | 2024 | 2024 |
| | | | 2nd quarter | 3rd quarter | 2nd quarter | 3rd quarter |
| Repayments of bank borrowings | 2024 3rd quarter | 1,183,769 | 0 | 1,183,769 | 283,769 | 900,000 |

IV. Operation Overview

I. Business Content

(I) Business Scope

1. Main businesses

- A. Metal Wire Products Manufacturing.
- B. Other Metal Products Manufacturing.
- C. Heat Treatments.
- 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. Waste Disposing.
- O. 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) | |
|----------------------------|--------------------|---------|
| | 2023 | 2024 |
| Grinding wheels and blades | 20.67% | 18.66% |
| CMP diamond disk | 25.94% | 29.51% |
| Reclaim wafer | 51.86% | 50.17% |
| Others | 1.53% | 1.66% |
| 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 reclaim wafers. The types, materials, characteristics, importance and uses of various grinding and cutting tools and reclaim 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. |
| | 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 | Reclaim 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. CMP diamond disks for the advanced semiconductor manufacturing process.
 - B. Reclaim wafers of 17nm specifications.
 - C. Testing wafers and wafers of special specifications
 - 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 Objectives

R&D strategy: Focusing on core grinding technologies, the company adopts the most efficient and flexible approaches to establish advanced technological capabilities and achieve scalable manufacturing. The objective is to solve critical technical challenges and build a sustainable competitive advantage.

R&D Management Approach: Through structured planning and the integration of enabling technologies, we enhance both the quality and scope of R&D activities. Our efforts progress from fundamental research to product optimization, and ultimately to breakthrough innovation. Technological evolution is further accelerated through industry-academia collaboration, the development of adaptive production environments, and strategic investments and acquisitions.

R&D Objectives:

- (1) Establish a world-class center for advanced grinding technology development.
- (2) Develop a comprehensive service platform for intelligent manufacturing and integrated solutions.
- (3) Pioneer cross-disciplinary industrial ecosystems and value chains.
- (4) Extend product lifecycles through continuous process enhancement and technological innovation.
- (5) Broaden and deepen the spectrum of core technologies and fundamental research.
- (6) Develop scalable production technologies for next-generation products.
- (7) Strengthen intellectual property strategy and protection mechanisms to safeguard profitability and innovation output.

(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, it has achieved a leading position in the advanced process and packaging 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 reclaim 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

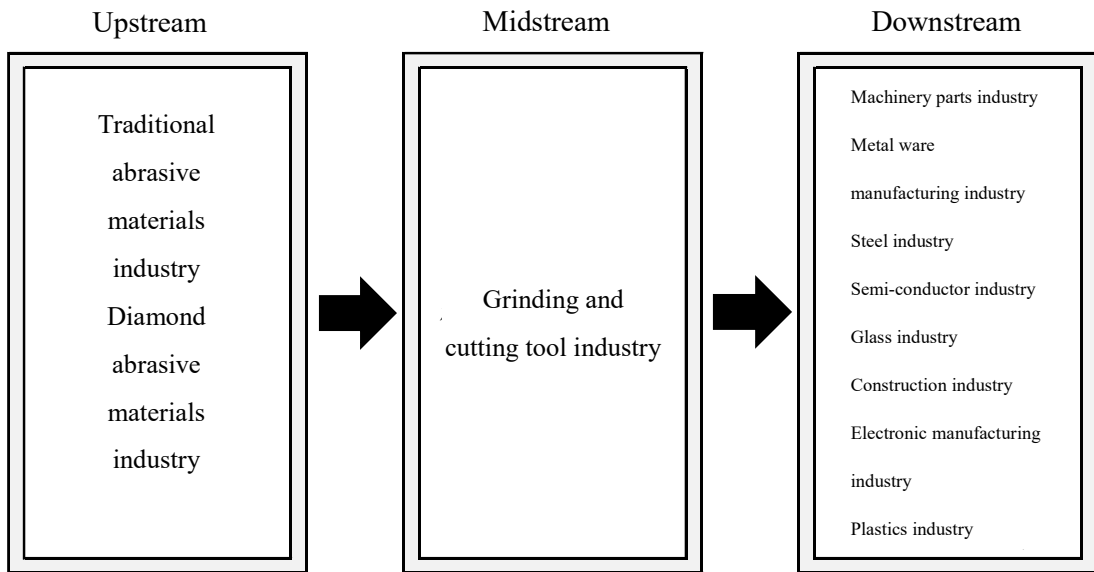
From the upstream, midstream, and downstream industries where the Company is located, the applications of grinding and cutting tools cover the industries of mechanical parts, hardware manufacturing, steel, semiconductor, glass, construction, electronics, plastics, optoelectronics, automobile and motorcycle, 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.

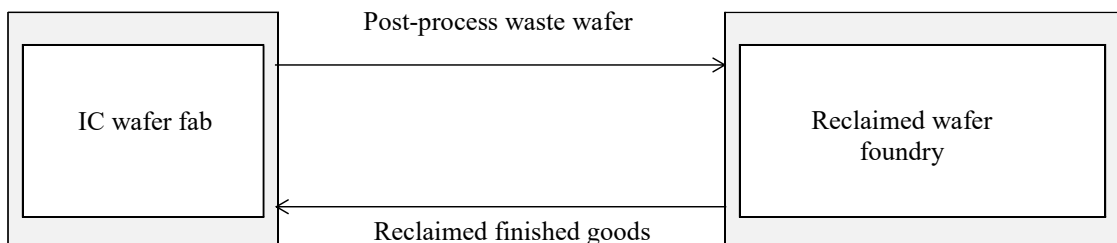
CMP diamond disks are consumables in the wafer manufacturing process. They are used in the chemical mechanical grinding (CMP) process in semiconductor manufacturing, covering the manufacturing of IC/silicon wafers, DRAM and LED diodes and third generation semiconductor (GaN, Sic) in the global semiconductor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

The downstream customers of reclaim 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 reclaim wafers is rising.

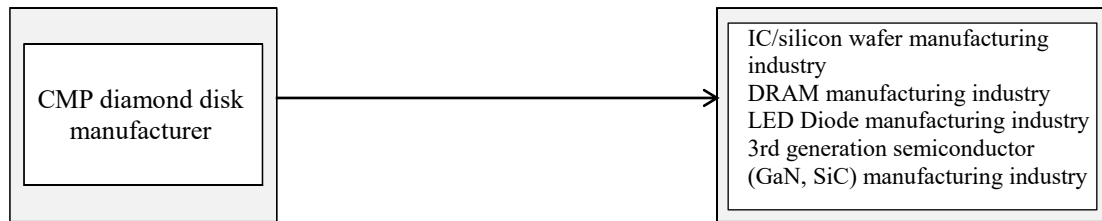
Conventional grinding wheel industry chain:



Reclaim 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 excel further in the advanced processing and packaging field.

Regarding the processing capability and product economic efficiency, the production of reclaim 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 reclaim 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) Technology and R&D Overview

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

Unit: NT\$ thousand

| Item \ Year | 2024 | March 31, 2025 |
|------------------------------------|-----------|----------------|
| R&D expenses (A) | 164,104 | 41,029 |
| Sales revenue, net (B) | 7,019,493 | 1,771,627 |
| Percentage of R&D expenses (A)/(B) | 2.34% | 2.32% |

2. Technologies or Products Successfully Developed in the Most Recent Fiscal Year and Up to the Date of this Report:

- (1) Diamond disks for 3nm semiconductor process applications.
- (2) Reclaimed wafers meeting 19nm process specifications.
- (3) Thinning grinding wheels for high-grade silicon wafers.
- (4) Thinning grinding wheels for high-grade silicon carbide wafers.
- (5) Vacuum chucks designed for grinding silicon carbide wafers.

(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) Through promotion of new products of Pyradia, EDP and equaDia, etc, expand the 12-inch wafer and advanced processing and packaging market, in order to further increase the 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. Reclaim 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 differentiated total 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. Reclaim 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 Zhunan 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, and establishing own cutting and processing production capacity, in order to provide wafer products of special specifications to customers.

(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: NT\$ thousand

| Year | | 2022 | | 2023 | | 2024 | |
|---------------------|-----------------------|-----------|-------|-----------|-------|-----------|-------|
| | | Amount | % | Amount | % | Amount | % |
| Domestic sales | | 3,940,533 | 57.05 | 3,658,038 | 57.33 | 4,411,858 | 62.85 |
| Expo rt sales | USA | 648,159 | 9.38 | 680,604 | 10.67 | 576,711 | 8.22 |
| | Singapore | 640,176 | 9.27 | 549,740 | 8.62 | 488,794 | 6.96 |
| | China | 677,534 | 9.81 | 517,490 | 8.11 | 433,609 | 6.18 |
| | Others | 1,001,217 | 14.49 | 975,032 | 15.27 | 1,108,521 | 15.79 |
| | Total with foreign | 2,967,086 | 42.95 | 2,722,866 | 42.67 | 2,607,635 | 37.15 |
| Total | | 6,907,619 | 100 | 6,380,904 | 100 | 7,019,493 | 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 2024 is approximately 35%.

(3) Reclaim wafer

The Company's global market share of reclaim wafers has reached approximately 20%, 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. Reclaim 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 1~1.1 million wafers at present. However, on the overall supply of reclaim wafers in Taiwan, except for its expansion of the new Zhunan plant in 2020, other suppliers have only increased their production capacities. Therefore, with the increase in overall customer demand, the demand for high-end reclaim wafers will become increasingly difficult to meet. In addition to developing foreign customers, the Company pays close attention to changes in domestic customer needs.

After the COVID-19 pandemic has subsided, the transportation costs have returned to the level before the pandemic, and the impact on the profitability of the reclaim services has been reduced. The Company will continue to monitor the impact and changes, and will make timely adjustments in response to these impacts. Presently, the overall demand and operations of the reclaim 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

Currently, the global market of advanced semiconductor processing is under the situation of demand over supply. Major wafer and memory manufacturers and foundries, such as TSMC, UMC, VIS, SMIC,

GlobalFoundries and Micron, etc., are setting up new fabs and expanding their capital expenditures. In addition, technological upgrading is the main driving force for the growth of the semiconductor capital market. The demand for 3 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. Reclaim wafer

1. Market Demand Changes

- (1) The overall demand for Taiwan's reclaim 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 reclaim wafers has become even tighter. After its expansion of the new plant in Zhunan, the

Company has been able to provide reclaim 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. Reclaim 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.

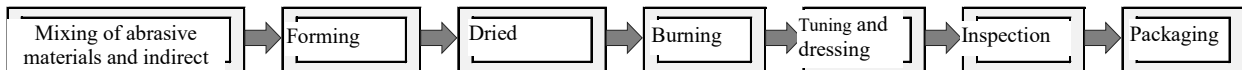
(II) Important Applications and Production Process of Main Products

1. Important Applications of Main Products

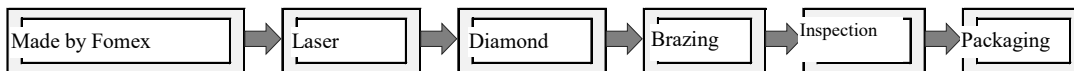
| Product items | Main Applications | Application Industry |
|------------------|---|--|
| Grinding wheel | It is the mother tool of machine tools used for grinding, removing defects and cutting machine parts. It can be widely used for all kinds of processing, grinding and precision polishing according 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. |
| Reclaim 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 | Element Six | Good |
| | HYPERION | Good |



| Name of main raw materials | Main sources of supply | Supply status |
|----------------------------|------------------------|---------------|
| material | Lands | Good |
| PCD blank | ILJIN | Good |

(IV) Name List of Main Trade Creditors/Debtors

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

Unit: NT\$ thousand

| Item | 2023 | | | | 2024 | | | | Up to the last quarter of 2025 | | | |
|------|---------------------|-----------|---|------------------------------|---------------------|-----------|---|------------------------------|--------------------------------|---------|--|------------------------------|
| | 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 | Net purchase percentage up to the last quarter of the current year (%) | Relationship with the issuer |
| 1 | Company E | 192,718 | 10.62 | None | Company E | 187,251 | 8.95 | None | Company E | 27,410 | 5.31 | None |
| 2 | Company G | 139,141 | 7.67 | None | Company G | 226,058 | 10.81 | None | Company G | 71,574 | 13.87 | None |
| | Others | 1,483,158 | 81.71 | - | Others | 1,678,021 | 80.24 | - | Others | 417,084 | 80.82 | - |
| | Net purchase amount | 1,815,017 | | - | Net purchase amount | 2,091,330 | | - | Net purchase amount | 516,068 | | - |

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

Unit: NT\$ thousand

| Item | 2023 | | | | 2024 | | | | Up to the last quarter of 2025 | | | |
|------|------------------|-----------|---|------------------------------|------------------|-----------|---|------------------------------|--------------------------------|-----------|---|------------------------------|
| | 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 | 1,923,276 | 30.14 | None | Company A | 2,355,553 | 33.56 | None | Company A | 655,243 | 36.99 | None |
| | Others | 4,457,628 | 69.86 | - | Others | 4,663,940 | 66.44 | - | Others | 1,116,384 | 63.01 | - |
| | Net sales amount | 6,380,904 | | - | Net sales amount | 7,019,493 | | - | Net sales amount | 1,771,627 | | - |

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

| Year | | 2023 | 2024 | April 30, 2025 |
|---------------------|----------------|--------------------|--------------------|--------------------|
| Number of employees | Direct labor | 1,003 people | 983 people | 1,008 people |
| | Indirect labor | 743 people | 740 people | 717 people |
| | Total | 1,746 people | 1,723 people | 1,725 people |
| Average age | | 40.53 years of age | 41.58 years of age | 41.59 years of age |

| Year | 2023 | 2024 | April 30, 2025 |
|---|-------------------|-------------|----------------|
| Average years of service | 12.08 years | 12.60 years | 12.67 years |
| Distribution of academic qualifications | PhD | 0.34% | 0.35% |
| | Master's Degree | 7.96% | 8.53% |
| | Bachelor's Degree | 49.94% | 50.15% |
| | High School | 34.25% | 33.95% |
| | Below High School | 7.51% | 7.02% |

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):

For the time being, the Company's all plant sites (Yingge/Hsinchu/Zhubei/Shulin/Hsinchu Science Park) have completed the IOS 14001 system and passed the certification of ISO 45001 and CNS 45001, and the GHG inventory external verification of (ISO 14064-1) is also conducted annually. The Shulin and Zhubei plants have passed the certification of the energy management system (ISO 50001). The Yingge Plant will be introduced with the water resource efficiency management system (ISO 46001) in 2025. The Company continues implement periodic follow-up on the environmental performance, safety & health and energy indicators set for all plant sites via external inspection/certification institutions, and up to the present day, there has been no major nonconformity. Meanwhile, 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 benefit the Company's promotion of the environmental management system and related environment protection practices largely. The Company was not subject to any environmental disciplinary actions in 2024.

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\$3,496 thousand was spent on training in 2024.

- (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 established a good labor-management relationship, and there has been no labor dispute and no loss due to labor disputes. In addition, the Company adopts the human-based management on employees, 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 for compliance, 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

The Company has established clear approval authority for each operation according to the development needs of the organization, in order to effectively regulate the authority of each job rank and to 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, the Company clearly specifies the duties and organizational functions of each department, in order to implement the division of labor of each department and to strengthen the Company's competitiveness. Relevant regulations and measures include "Business Separation Measures for Division of Responsibilities", etc.

3. Reward and Punishment Regulations

Based on employees' special contributions and the damage caused to the Company, the Company has clearly specify the work discipline and code of conduct of employees, in order to achieve the purpose of encouragement or warning for employees. 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 evaluation annually, in order to be used as a basis for providing return to work efforts and for review of 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 applicants with a working and service environment that is free from any sexual harassment and illegal infringement, the Company has adopted appropriate preventive, corrective, disciplinary and handling measures, in order to protect the rights, interests and privacy of the employees and job applicants. 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 plant sites.
- (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 at all levels: 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

Common good

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

(VI) Please describe the cyber security risk management architecture, cyber security policy, specific management solution and resources invested in cyber 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) For the most recent year and up to the printing date of the annual report, the loss due to major cyber security events:

None.

VII. Important Contracts

None

V. Review of Financial Position, Business Performance, and Risk Issues

I. Financial Position

Unit: NT\$ thousand

| Item \ Year | 2024 | 2023 | Difference | |
|-----------------------|------------|-----------|------------|--------|
| | | | Amount | % |
| Current assets | 5,236,594 | 4,042,103 | 1,194,491 | 29.6% |
| Fixed assets | 4,248,650 | 4,239,246 | 9,404 | 0% |
| Other assets | 1,565,619 | 1,581,604 | -15,985 | -1% |
| Total assets | 11,050,863 | 9,862,953 | 1,187,910 | 12% |
| Current liabilities | 1,474,912 | 2,250,720 | -775,808 | -34.5% |
| Long-term liabilities | 2,149,636 | 1,139,818 | 1,009,818 | 88.6% |
| Total liabilities | 3,624,548 | 3,390,538 | 234,010 | 6.9% |
| Share capital | 1,459,504 | 1,449,435 | 10,069 | 0.7% |
| Capital surplus | 1,636,863 | 1,399,657 | 237,206 | 16.9% |
| Retained earnings | 4,053,261 | 3,334,259 | 719,002 | 21.6% |
| Total equity | 7,426,315 | 6,472,415 | 953,900 | 14.7% |

Explanation: 1. Increase in current assets and total assets was mainly due to the increase in cash on the balance sheet.

2. Decrease in current liabilities was mainly due to the decrease in short-term borrowings.

3. Increase in long-term liabilities was mainly due to the issuance of domestic unsecured convertible corporate bonds.

4. Increase in capital reserve was mainly due to the conversion of employee stock options.

5. Increase in retained earnings was mainly due to the increase in annual revenue, resulting in an increase in profits.

6. Increase in total shareholders' equity was mainly due to the increase in capital reserve and retained earnings.

II. Financial Performance

Unit: NT\$ thousand

| Year Item | 2024 | | 2023 | | Amount of increase (decrease) | Change in (%) | Analysis on changes |
|--|-------------|-------------|-------------|-------------|-------------------------------------|------------------|---------------------------|
| | Subtotal | Total | Subtotal | Total | | | |
| Total net operating revenue | \$7,026,604 | | \$6,389,291 | | | | |
| Less: Sales returns and allowances | (7,111) | | (8,387) | | | | |
| Net operating revenue | | 7,019,493 | | 6,380,904 | 638,589 | 10.0% | |
| Operating cost | | (4,831,377) | | (4,438,673) | (392,704) | 8.8% | |
| Operating margin | | 2,188,116 | | 1,942,231 | 245,885 | 12.7% | |
| Operating expenses | | (1,032,919) | | (952,994) | (79,925) | 8.4% | |
| Net operating profit | | 1,155,197 | | 989,237 | 165,960 | 16.8% | |
| Non-operating income (expenses) | | 133,585 | | 71,168 | 62,417 | 87.7% | V |
| Net profit before tax | | 1,288,782 | | 1,060,405 | 228,377 | 21.5% | V |
| Income taxes (expenses) | | (226,792) | | (198,298) | (28,494) | 14.4% | |
| Net income of the current period | | 1,061,990 | | 862,107 | 199,883 | 23.2% | V |
| Other comprehensive income | | 66,921 | | 11,107 | 55,814 | 502.5% | V |
| Total comprehensive income of the current period | | 1,128,911 | | 873,214 | 255,697 | 29.3% | V |

Explanation: 1. Increase in non-operating income: Mainly due to the increase in the USD exchange rate by a greater extent than that in 2023, and also due to the increase in foreign currency exchange gain.

2. Increase in net income before tax and net income: Mainly due to the prosperous development of the AI and semiconductor industries in 2024, resulting in an increase in revenue.

3. Increase in other comprehensive income: Mainly due to the increase in remeasurement of defined benefit plan and exchange difference from translation of financial statements of foreign operations.

4. Increase in total comprehensive income for the year: Mainly due to the prosperous development of the AI and semiconductor industries in 2024, resulting in an increase 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:

As the demand for 5G, AI servers and automotive semiconductor increases, wafer fabs

continue to expand production capacity, driving the growth of demand for reclaim wafers and CMP diamond disks. The revenue of the Company expected to continue to grow this year. In addition, the construction of the new production line for the Hsinchu Science Park Plant is expected to be completed in mid 2026, which will be beneficial to the future revenue. The Company will continue to increase the production efficiency and cost optimization, and improve product portfolios, in order to achieve the 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

(I) Summary of net cash flow change analysis in the most recent year

| Year Item | 2024 | 2023 | Increase (decrease) ratio |
|--|--------|-------|------------------------------|
| Cash flow ratio | 109.66 | 57.28 | 91% |
| Cash flow adequacy ratio | 114.35 | 88.96 | 29% |
| Cash flow reinvestment ratio | 6.94 | 5.73 | 21% |
| Analysis on increase/decrease: <ol style="list-style-type: none"> Increase in cash flow ratio: Mainly due to the repayment of short-term borrowings by the Company in the current period. Increase in cash flow adequacy ratio and cash reinvestment ratio: Mainly due to the significant increase in cash flow from operating activities. | | | |

(II) Cash flow analysis for the coming year

Unit: NT\$ thousand

| Cash balance at the beginning of the period | Yearly net cash inflow from operating activities | Yearly cash outflow | Cash surplus (deficit) amount | Remedies for cash shortage | |
|--|---|------------------------|-------------------------------------|----------------------------|---|
| | | | | Investment plan | Financing plan |
| 2,000,757 | 1,417,660 | (4,304,148) | (885,731) | None | Increased loan of NT\$1.5 billion |
| 1. Analysis on changes of cash flow for the coming year: <p>(1) Operating activities: The net cash inflow of NT\$1,417,660 thousand is expected to be generated from the Company's earnings in 2025.</p> <p>(2) Investing activities: The net cash outflow of NT\$441,000 thousand is expected to be generated in 2025 due to the purchase of equipment and the replacement of old equipment. The cash outflow of NT\$860,172 thousand is expected to be generated due to the investment in Japan MKS and Thailand MGT. The cash outflow of NT\$2,000,000 thousand is expected to be generated due to the expansion of the production line of the Hsinchu Science Park Plant. The cash outflow of NT\$270,000 thousand is expected to be generated due to the investment in Jinli Investment Co., Ltd. and Chi Fu Co., Ltd.</p> <p>(3) Financing activities: It is estimated that a short-term loan of NT\$1,500,000 will be added to the working capital in 2025; the net cash outflow of NT\$732,976 thousand will be generated from the distribution of cash dividends and employee remuneration.</p> | | | | | |
| 2. Analysis on remedy for estimated cash shortage and liquidity: None. | | | | | |

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 order to meet the needs of the customers of reclaim wafers, the Board of Directors of the Company has resolved on December 24, 2024 to add a new production line at the Hsinchu Science Park Plant. It is expected that the production capacity can be increased by 100 thousand pieces of 12-inch reclaim wafers after the completion of the production line, and the total investment expenditure is approximately NT\$2 billion.

According to the resolution of the Board of Directors' meeting on January 22,

2025, to enter the Japanese market and strengthen the Southeast Asian market to create more growth opportunities, the Company has signed a formal acquisition agreement with Mitsui Mining & Smelting Co., Ltd., in order to acquire 100% equity of “Mitsui Grinding Wheel Co., Ltd. (referred to as “MKS”)” located in Japan and under Mitsui Mining & Smelting Co., Ltd. at an acquisition amount of JPY 1.919 billion, and the Company and its subsidiary KINIK Thai Company Limited also acquire “Mitsui Grinding Technology (Thailand) Co., Ltd. (referred to as “MGT”)” located in Thailand and under Mitsui Mining & Smelting Co., Ltd. at an acquisition amount of THB 450 million. The total acquisition amount of the two companies is approximately NT\$860 million.

(II) Expected benefits derived therefrom

Possible benefits from production expansion of Hsinchu Science Park Plant:

1. Expansion of production capacity to satisfy customer demands: After the present completion of the new production line, it is expected that an additional quantity of 10,000 pieces of 12" wafer production capacity can be increased per month, in order to effectively respond to the growth of the demand for high-quality wafers from existing and new customers, and to prevent the loss of orders and market share due to insufficient production capacity.
2. Increase of revenue and profitability: With the expansion of the production capacity, the Company is able to accept more orders, to promote revenue growth, and to amortize fixed costs through economies of scale, thereby further improving the unit product gross margin and overall profitability.
3. Securing market position and competitive advantage: The Company actively plans and invests in the reclaim wafer market, demonstrating the Company's ability to respond to customer demands promptly and reliably and to strengthen the cooperation relationship with customers, which is beneficial to securing and expanding the market share, thereby promoting the industry position.

Possible benefits from acquisition of MKS and MGT:

1. Expansion of international market: After the acquisition of "Mitsui Grinding Wheel Co., Ltd. (MKS)" in Japan and "Mitsui Grinding Technology (Thailand) Co., Ltd. (MGT)" in Thailand, the Company is able to enter the Japanese automotive grinding market directly and to strengthen the Southeast Asian planning, thereby accelerating the global development of the Company.
2. Acquisition of quality customers and technical resources: MKS and MGT have cultivated the local market for a long period of time, and have established stable

customer base and professional technology capabilities. Through the present acquisition, the Company is able to quickly obtain the market channels, professional technologies and brand trust swiftly, thereby effectively shortening the market development schedule.

3. Increase of revenue scale and diverse revenue sources: After the acquisition is completed, both companies will be included under the consolidated operation system of the Company, such that it is beneficial to increase the overall revenue scale of the Company while expanding the product and service lines, in order to reduce the risk of dependence on one single market and customer.
4. Achievement of Group synergy: With the integration of the products, technologies and market resources of the Company, KTC, MGS and MGT, the synergy effect of the Group can be achieved, thereby improving production efficiency, expanding product portfolios, optimizing supply chain management, and further improving overall competitiveness and operating efficiency.

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's most recent investments are made to expand the Company's presence in the Asian market, and focus on growth potential areas such as Japan and Southeast Asia, in order to diversify business risks and to strengthen international competitiveness.

(II) Reason for Investment Loss and Corrective Actions

The investment loss in the most recent year was mainly due to WinSheng Material Technology Co., Ltd. WinSheng Material Technology Co., Ltd. has shown relatively slow product research and development progress in recent years, and its core technology has no demonstrated obvious differentiation advantages, such that in terms of the seizing business opportunities in the new emerging application market, its competitiveness is relatively inadequate. In addition, due to the maturity of technology and the product certification schedule, WinSheng Material Technology Co., Ltd. has not yet obtained long-term orders of certain scale, and the overall order performance is relatively conservative, which in turn, causing certain level of pressure on the Company's business operation. However, the Company has disposed of part of the shares of WinSheng Material Technology Co., Ltd. held by the Company and has recovered the original investment capital, such that the overall investment has reached breakeven. The Company will carefully assess the disposal strategy of the remaining

equity based on the consideration of the market condition and WinSheng Material Technology Co., Ltd.'s operating progress, in order to optimize asset allocation and improve capital utilization efficiency.

(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 and Up to the Printing 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: NT\$ thousand

| Item | 2024 | 2025 Q1 |
|---|-----------|-----------|
| Net foreign exchange gains (losses) (1) | 89,675 | 32,357 |
| Net operating revenue (expenses) (2) | 18,182 | 2,986 |
| Net operating revenue (3) | 7,019,493 | 1,771,627 |
| Net foreign exchange gains (losses) to net operating revenue (1)/(3)% | 1.28 | 1.83 |
| Net interest revenue (expenses) to net operating revenue (2)/(3)% | 0.26 | 0.17 |

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

Except for the loaning of funds and providing endorsements/guarantees to invested subsidiaries, 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 Roadmap and Planned R&D Investment

In recent years, the company has consistently pursued a strategy of diversification, positioning itself as a market leader in both the manufacturing of precision grinding tools and the provision of grinding services for hard and brittle materials. Looking ahead, R&D efforts will continue to center on grinding tools, advanced grinding technologies, and diamond materials, with a strategic focus on expanding these core technologies into emerging fields such as energy-efficient systems and the electronics sector.

By aligning with global industry trends, we aim to deliver optimal solutions to our clients and strengthen our position as one of the most competitive companies in the market. Key focus areas for future R&D initiatives include:

- A. Advanced diamond disks for 2nm and next-generation semiconductor processing applications.
- B. Reclaimed wafers engineered for 17nm process nodes.
- C. Silicon-based grinding wheels for semiconductor packaging and thinning equipment.
- D. Silicon carbide grinding wheels for semiconductor packaging and thinning equipment.
- E. Research and development of diamond wafer technologies.
- F. Grinding wheels for new-generation semiconductor packaging materials.

The expected key R&D projects for the next few years are described above, and the estimated R&D expenditure in 2025 is approximately 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 harmless 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

To enter the Japanese market and strengthen the Southeast Asian market to create more growth opportunities, according to the resolution of the Board of Directors' meeting on January 22, 2025, the Company has signed a formal acquisition agreement with Mitsui Mining & Smelting Co., Ltd., in order to acquire 100% equity of "Mitsui Grinding Wheel Co., Ltd. (referred to as "MKS")" located in Japan and under Mitsui Mining & Smelting Co., Ltd. at an acquisition amount of JPY 1.919 billion, and the Company and its subsidiary KINIK Thai Company Limited also acquire "Mitsui Grinding Technology (Thailand) Co., Ltd. (referred to as "MGT")" located in Thailand and under Mitsui Mining & Smelting Co., Ltd. at an acquisition amount of THB 450 million. The total acquisition amount of the two companies is approximately NT\$860 million.

1. Expected benefits:

- (1) Expansion of international market: After the acquisition of "Mitsui Grinding Wheel Co., Ltd. (MKS)" in Japan and "Mitsui Grinding Technology (Thailand) Co., Ltd. (MGT)" in Thailand, the Company is able to enter the Japanese automotive grinding market directly and to strengthen the Southeast Asian planning, thereby accelerating the global development of the Company.
- (2) Acquisition of quality customers and technical resources: MKS and MGT have cultivated the local market for a long period of time, and have established stable customer base and professional technology capabilities. Through the present acquisition, the Company is able to quickly obtain the market channels, professional technologies and brand trust swiftly, thereby effectively shortening the market

development schedule.

- (3) Increase of revenue scale and diverse revenue sources: After the acquisition is completed, both companies will be included under the consolidated operation system of the Company, such that it is beneficial to increase the overall revenue scale of the Company while expanding the product and service lines, in order to reduce the risk of dependence on one single market and customer.
- (4) Achievement of Group synergy: With the integration of the products, technologies and market resources of the Company, KTC, MGS and MGT, the synergy effect of the Group can be achieved, thereby improving production efficiency, expanding product portfolios, optimizing supply chain management, and further improving overall competitiveness and operating efficiency.

2. Possible risks:

- (1) Cultural and management integration risk: The difference in foreign corporate culture and management style may lead to the internal communication and operation obstacles during the initial stage of the integration.
- (2) Business performance less than expected: If the acquired company is unable to achieve the original business goal, it may affect the overall return on investment.

3. Countermeasures:

- (1) Establishment of integrated project team: The headquarters assigns a senior team with cross-cultural communication and operational experience to handle the integration planning and implementation, in order to ensure smooth coordination with the local management team.
- (2) Compliance with local laws and compliance review: Experienced local legal consultants and CPAs are retained to ensure that the transaction procedures and subsequent operations comply with relevant laws and regulations.

(VIII) Expected benefits from, risks relating to, and response to factory expansion plans

In order to meet the needs of the customers of reclaim wafers, the Board of Directors of the Company has resolved on December 24, 2024 to add a new production line at the Hsinchu Science Park Plant. It is expected that the production capacity can be increased by 100 thousand pieces of 12-inch reclaim wafers after the completion of the production line, and the total investment expenditure is approximately NT\$2 billion.

1. Possible benefits from production expansion of Hsinchu Science Park Plant:

- (1) Expansion of production capacity to satisfy customer demands: After the present completion of the new production line, it is expected that an additional quantity of 10,000 pieces of 12" wafer production capacity can be increased per month,

in order to effectively respond to the growth of the demand for high-quality wafers from existing and new customers, and to prevent the loss of orders and market share due to insufficient production capacity.

- (2) Increase of revenue and profitability: With the expansion of the production capacity, the Company is able to accept more orders, to promote revenue growth, and to amortize fixed costs through economies of scale, thereby further improving the unit product gross margin and overall profitability.
- (3) Securing market position and competitive advantage: The Company actively plans and invests in the reclaim wafer market, demonstrating the Company's ability to respond to customer demands promptly and reliably and to strengthen the cooperation relationship with customers, which is beneficial to securing and expanding the market share, thereby promoting the industry position.

2. Possible risks:

- (1) Production expansion schedule and cost control risk: Delay of construction, shortage of manpower or materials during the production expansion process may result in the delay of process or increase of cost.
- (2) Capacity increase less than expected: The initial stage of new production line may face the challenges of insufficient process stability and yield rate less than expected, such that the revenue contribution schedule may be affected.
- (3) Market change or demand delay: If the overall economy of the semiconductor industry slows down or the customer demand changes, it may cause the new production capacity utilization rate to be less than expected.

3. Countermeasures:

- (1) Rigorous control of production expansion schedule and budget: The Company will establish a project management team, sign defined progress and responsibility clauses with key equipment suppliers and contractors, and regularly review the progress and budget implementation status, in order to ensure that the production expansion is completed on time with expected quality.
- (2) Production capacity planning and trial mass production: The modular design and trial mass production verification plan are to be completed before the construction starts. The new equipment will be introduced in stages to stabilize the output, in order to increase the utilization rate and yield rate of the new production line at the beginning.
- (3) Strengthening of market forecast and flexible production scheduling: The Company will maintain close communication with major customers, and will

also dynamically adjust production and delivery planning.

(IX) Risks relating to and responses to excessive concentration of purchasing sources and excessive customer concentration

The net revenue of the Company from the Company's largest customer accounts for approximately 36.99% of the Company's net sales, and such ratio is higher than the ratio of last year, which is primarily due to the increase in the customer's demand 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 10.81% 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.

VI. Special Items to Be Records

I. Information on Affiliated Enterprises:

For information on affiliated enterprises of the Company, please visit the section of Three Statements of Affiliated Enterprise on the MOPS, and website at:

[https://doc.twse.com.tw/server-
java/t57sb01?step=1&colorchg=1&co_id=1560&year=&mtype=K&isnew=true](https://doc.twse.com.tw/server-java/t57sb01?step=1&colorchg=1&co_id=1560&year=&mtype=K&isnew=true)

II. Status of private equity securities issuing in the most recent year and as of the printing date of the annual report

None.

III. Other necessary supplementary explanations

None

IV. 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:

None.

中國砂輪企業股份有限公司
內部控制制度聲明書

日期：113年12月31日

本公司民國113年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1.控制環境，2.風險評估，3.控制作業，4.資訊與溝通，及5.監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於民國113年12月31日的內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國114年2月26日董事會通過，出席董事9人中，有0人持反對意見，餘均同意本聲明書之內容，併此聲明。

中國砂輪企業股份有限公司



董事長：林伯全



執行長：謝榮哲





Kinik Company



Chairman: Po-Chun Lin

