NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2025 AND 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Nak Sealing Technologies Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Nak Sealing Technologies Corporation and subsidiaries (the "Group") as of December 31, 2025 and 2024, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group’s 2025 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s 2025 consolidated financial statements are stated as follows:

Timing of sales revenue recognition

<u>Description</u>

Please refer to Note 4(25) and 6(16) for accounting policies on revenue recognition. For the year ended December 31, 2025, the Group had operating revenue amounting to NT$3,990,745 thousand.

The Group primarily engaged in manufacture and sales of various types of sealing components, the marketing channels of products spread over the globe, and sales to customers involves different kinds of transaction terms. The Group recognised sales revenue in accordance with the transaction terms of individual customer and after delivery and confirming the control was transferred. Thus, the procedure of revenue recognition usually involved highly manual judgment and works, and which financial report period will the sales revenue be recognised in would be affected by whether the control of goods were transferred to buyers in accordance with the performance obligations which were regulated in the contracts before the final date of reporting period. Thus, we consider the timing of sales revenue recognition a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Understood and assessed the working procedures and internal control system of the Group's timing of sales revenue recognition, and tested for the efficiency of such controls.
2. Performed sales cut-off test for a certain period around balance sheet date and reviewed evidence in relation to subsequent significant sales returns and discounts to assess the adequacy of revenue cut-off.

Adequacy of accounting estimates of allowance for inventory valuation losses

Description

Please refer to Notes 4(12), 5(2) and 6(4) for a description of accounting policy on inventory valuation, accounting estimates and assumptions in relation to loss allowance and details of loss allowance. As of December 31, 2025, the Group's total amount of inventories and allowance for inventory valuation losses were NT$ 998,726 thousand and NT$ 50,373 thousand, respectively.

The Group primarily engaged in manufacture and sales of various types of sealing components. Such inventories were affected by highly competitive market and the price fluctuation of international raw materials, such as glue, fossil oil and steel, thus, there were higher risk in inventories valuation loss and obsolescence. In addition, the Group's allowance for valuation loss on inventories primarily came from individually identified obsolete or damaged inventories. Since the cash amount of inventories was significant, types of items were many, and the net realisable value adopted usually involved subjective judgment, therefore, there was estimates uncertainty. Thus, we consider the estimates of allowance for inventory valuation losses a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the Group's operations and industry in order to assess the reasonableness of the policy on recognition of allowance for inventory valuation losses.
2. Obtained an understanding on the warehouse management processes, reviewed the annual physical inventory count plan, participated in and observed the annual inventory count in order to evaluate the effectiveness of procedures used by the management to identify and control obsolete inventories.
3. Obtained inventory ageing report statements which management used in valuation and related supporting documents to verify the date of inventory change, and test the accuracy and reasonableness of program logic of report statements.
4. Obtained the inventory cost and net realisable value estimation data which was prepared by management to verify individual inventory item with sales evidences and its accounting records, and tested the calculation of statements for accuracy to assess the basis of net realisable value and its reasonableness.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion and unqualified opinion with emphasis of matter on the parent company only financial statements of Nak Sealing Technologies Corporation as at and for the years ended December 31, 2025 and 2024.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group’s financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Wu, Sung-Yuan   Lai, Chih-Wei

For and on behalf of PricewaterhouseCoopers, Taiwan

March 4, 2026

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2025 AMOUNT	%	December 31, 2024 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 343,462	6	$ 433,850	8
1136	Current financial assets at amortised cost	6(2)	283,930	5	237,599	4
1150	Notes receivable, net	6(3)	390,174	7	346,439	7
1170	Accounts receivable, net	6(3)	1,166,147	21	1,060,715	20
1180	Accounts receivable - related parties	7(2)	33,617	1	33,024	1
1200	Other receivables		20,099	-	26,717	1
130X	Inventories	5(2) and 6(4)	948,353	17	971,916	18
1470	Other current assets		56,352	1	57,655	1
11XX	**Current Assets**		3,242,134	58	3,167,915	60
	Non-current assets					
1535	Non-current financial assets at amortised cost	6(2)	9,960	-	-	-
1550	Investments accounted for under equity method	6(5)	51,061	1	41,955	1
1600	Property, plant and equipment	6(6) and 8	2,077,877	37	1,915,943	36
1755	Right-of-use assets	6(7)	49,473	1	49,975	1
1780	Intangible assets		31,061	1	30,311	-
1840	Deferred income tax assets	6(19)	60,935	1	62,976	1
1900	Other non-current assets	6(8) and 7(2)	54,817	1	47,109	1
15XX	**Non-current assets**		2,335,184	42	2,148,269	40
1XXX	**Total assets**		$ 5,577,318	100	$ 5,316,184	100

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NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2025 AMOUNT	%	December 31, 2024 AMOUNT	%
	Current liabilities					
2150	Notes payable		$ 49	-	$ 109	-
2170	Accounts payable		177,126	3	143,411	3
2200	Other payables	6(9)	501,153	9	450,640	8
2230	Current income tax liabilities		75,584	2	49,522	1
2280	Current lease liabilities		743	-	771	-
2320	Long-term liabilities, current portion	6(10)	11,320	-	11,320	-
2399	Other current liabilities, others	6(16)	17,560	-	8,991	-
21XX	**Current Liabilities**		783,535	14	664,764	12
	Non-current liabilities					
2540	Long-term borrowings	6(10)	45,280	1	56,600	1
2570	Deferred income tax liabilities	6(19)	456,983	8	413,965	8
2580	Non-current lease liabilities		981	-	418	-
2600	Other non-current liabilities	6(11)	600	-	787	-
25XX	**Non-current liabilities**		503,844	9	471,770	9
2XXX	**Total Liabilities**		1,287,379	23	1,136,534	21
	Equity attributable to owners of parent					
	Share capital	6(12)				
3110	Share capital - common stock		831,613	15	831,613	16
	Capital surplus	6(13)				
3200	Capital surplus		214,743	4	214,743	4
	Retained earnings	6(14)				
3310	Legal reserve		1,057,854	19	983,793	19
3320	Special reserve		141,419	2	197,664	4
3350	Unappropriated retained earnings		2,172,045	39	2,089,059	39
	Other equity interest	6(15)				
3400	Other equity interest		(131,893)	(2)	(141,419)	(3)
31XX	**Equity attributable to owners of the parent**		4,285,781	77	4,175,453	79
36XX	Non-controlling interest		4,158	-	4,197	-
3XXX	**Total equity**		4,289,939	77	4,179,650	79
	Significant Contingent Liabilities and Unrecognised Contract Commitments	9				
	Significant Disasters Loss	10				
	New Item	11				
3X2X	**Total liabilities and equity**		$ 5,577,318	100	$ 5,316,184	100

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

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2025		2024	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(16) and 7(2)	$ 3,990,745	100	$ 3,923,456	100
5000	Operating costs	6(4)(18)	(2,432,676)	(61)	(2,342,050)	(60)
5900	Net operating margin		1,558,069	39	1,581,406	40
5920	Realized profit from sales		5,744	-	436	-
5950	Net operating margin		1,563,813	39	1,581,842	40
	Operating expenses	6(18)				
6100	Selling expenses		(203,922)	(5)	(189,366)	(5)
6200	General and administrative expenses		(329,580)	(8)	(322,584)	(8)
6300	Research and development expenses		(63,339)	(2)	(77,979)	(2)
6450	Expected credit loss	12(2)	(7,207)	-	(12,581)	-
6000	Total operating expenses		(604,048)	(15)	(602,510)	(15)
6900	Operating profit		959,765	24	979,332	25
	Non-operating income and expenses					
7100	Interest income		7,584	-	10,316	-
7010	Other income		6,334	-	14,766	-
7020	Other gains and losses	6(17)	43	-	22,172	1
7050	Finance costs		(3,316)	-	(2,996)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(5)	8,434	1	14,295	-
7000	Total non-operating income and expenses		19,079	1	58,553	1
7900	**Profit before income tax**		978,844	25	1,037,885	26
7950	Income tax expense	6(19)	(300,354)	(8)	(317,060)	(8)
8200	**Profit for the period**		$ 678,490	17	$ 720,825	18
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(11)	$ 5,988	-	$ 24,742	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(19)	(1,198)	-	(4,948)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		4,790	-	19,794	1
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(15)	8,750	-	70,986	2
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method	6(15)	2,769	-	(515)	-
8399	Income tax relating to the components of other comprehensive income	6(19)	(2,381)	-	(14,061)	(1)
8360	Components of other comprehensive income that will be reclassified to profit or loss		9,138	-	56,410	1
8300	**Total other comprehensive (loss) income for the year**		$ 13,928	-	$ 76,204	2
8500	**Total comprehensive income for the year**		$ 692,418	17	$ 797,029	20
	Profit, attributable to:					
8610	Owners of the parent		$ 678,141	17	$ 720,814	18
8620	Non-controlling interest		349	-	11	-
			$ 678,490	17	$ 720,825	18
	Comprehensive (loss) income attributable to:					
8710	Owners of the parent		$ 692,457	17	$ 796,853	20
8720	Non-controlling interest		(39)	-	176	-
			$ 692,418	17	$ 797,029	20
	Basic earnings per share	6(20)				
9750	Total basic earnings per share		$	8.15	$	8.67
9850	Total diluted earnings per share		$	8.11	$	8.62

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

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
			Capital Reserves		Retained Earnings						
	Notes	Share capital - common stock	Additional paid-in capital	Premium from merger	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total	Non-controlling interest	Total equity
Year 2024											
Balance at 1 January, 2024		$ 831,613	$ 208,642	$ 6,101	$ 884,775	$ 166,780	$2,060,482	($ 197,664)	$3,960,729	$ 4,021	$3,964,750
Profit for the year		-	-	-	-	-	720,814	-	720,814	11	720,825
Other comprehensive income	6(15)	-	-	-	-	-	19,794	56,245	76,039	165	76,204
Total comprehensive income		-	-	-	-	-	740,608	56,245	796,853	176	797,029
Appropriation and distribution of 2023 earnings	6(14)										
Legal reserve appropriated		-	-	-	99,018	-	(99,018)	-	-	-	-
Special reserve appropriated		-	-	-	-	30,884	(30,884)	-	-	-	-
Cash dividends		-	-	-	-	-	(582,129)	-	(582,129)	-	(582,129)
Balance at December 31, 2024		$ 831,613	$ 208,642	$ 6,101	$ 983,793	$ 197,664	$2,089,059	($ 141,419)	$4,175,453	$ 4,197	$4,179,650
Year 2025											
Balance at January 1, 2025		$ 831,613	$ 208,642	$ 6,101	$ 983,793	$ 197,664	$2,089,059	($ 141,419)	$4,175,453	$ 4,197	$4,179,650
Profit for the year		-	-	-	-	-	678,141	-	678,141	349	678,490
Other comprehensive income (loss)	6(15)	-	-	-	-	-	4,790	9,526	14,316	(388)	13,928
Total comprehensive income (loss)		-	-	-	-	-	682,931	9,526	692,457	(39)	692,418
Appropriation and distribution of 2024 earnings	6(14)										
Legal reserve appropriated		-	-	-	74,061	-	(74,061)	-	-	-	-
Special reserve appropriated		-	-	-	-	(56,245)	56,245	-	-	-	-
Cash dividends		-	-	-	-	-	(582,129)	-	(582,129)	-	(582,129)
Balance at December 31, 2025		$ 831,613	$ 208,642	$ 6,101	$1,057,854	$ 141,419	$2,172,045	($ 131,893)	$4,285,781	$ 4,158	$4,289,939

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

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 978,844	$ 1,037,885
Adjustments			
Adjustments to reconcile profit (loss)			
Realized profit on from sales		(5,744)	(436)
Expected credit loss	12(2)	7,207	12,581
Depreciation expense-property, plant and equipment	6(6)(18)	178,586	167,385
Depreciation expense-right-of-use assets	6(7)(18)	3,190	3,849
Amortization expense	6(18)	27,153	25,308
Loss on disposal of property, plant and equipment	6(17)	5,644	1,982
Disaster loss	6(17)	-	5,210
Share of profit of associates and joint ventures accounted for using equity method	6(5)	(8,434)	(14,295)
Interest revenue		(7,584)	(10,316)
Financial cost-bank loan		3,316	2,996
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(41,956)	(42,304)
Accounts receivable (including related parties)		(110,589)	21,011
Other receivables (including related parties)		7,364	1,008
Inventories		23,563	69,214
Other current assets		1,303	10,977
Changes in operating liabilities			
Notes payable		(60)	(1,230)
Accounts payable		33,715	20,683
Other payables		47,407	(34,326)
Other current liabilities		8,569	(4,084)
Net defined benefit liability		(7,521)	(4,096)
Cash inflow generated from operations		1,143,973	1,269,002
Dividend income		2,011	2,090
Interest received		7,616	10,245
Interest paid		(3,322)	(1,799)
Income taxes paid		(235,960)	(451,000)
Net cash flows from operating activities		914,318	828,538

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NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at amortised cost		($ 912,911)	($ 545,982)
Acquisition of financial assets at amortised cost		860,969	471,865
Acquisition of property, plant and equipment	6(21)	(335,439)	(258,565)
Proceeds from disposal of property, plant and equipment		248	2,225
Acquisition of intangible assets		(28,009)	(30,098)
Decrease in refundable deposits		132	-
Decrease in other non-current assets		(7,065)	(183)
Net cash flows used in investing activities		(422,075)	(360,738)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of short-term loans		150,000	50,000
Repayments of short-term loans		(150,000)	(50,000)
Repayments of long-term debt	6(22)	(11,320)	(11,320)
Payments of lease liabilities	6(22)	(2,169)	(2,285)
Cash dividends paid	6(14)(22)	(582,129)	(582,129)
Increase (Decrease) in guarantee deposits received	6(22)	-	600
Net cash flows used in financing activities		(595,618)	(595,134)
Effect of exchange rate changes on cash and cash equivalents		12,987	42,098
Net decrease in cash and cash equivalents		(90,388)	(85,236)
Cash and cash equivalents at beginning of year		433,850	519,086
Cash and cash equivalents at end of year		$ 343,462	$ 433,850

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

NAK SEALING TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. History and Organization

The Nak Sealing Technologies Corporation (the "Company") was established in August 1976. The Company and its subsidiaries (the "Group") are primarily engaged in the processing and manufacturing of each kind of oil seal, manufacturing rubber machinery and metal modules, and import and export businesses.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were authorised for issuance by the Board of Directors on March 4, 2026.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS®") Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and became effective from 2025 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2025 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Specific provisions of Amendments to IFRS 9 and IFRS 7, ' Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IFRS 9 and IFRS 7, 'Contracts referencing nature-dependent electricity'	January 1, 2026

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

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

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 18, 'Presentation and disclosure in financial statements'	January 1, 2027 (Note)
IFRS 19, 'Subsidiaries without public accountability: disclosures'	January 1, 2027
Amendments to IAS 21,'Translation to a Hyperinflationary Presentation Currency'	January 1, 2027

Note：The FSC has announced in a press release on September 25, 2025 that public companies will apply IFRS 18 starting from the fiscal year 2028. Additionally, entities can choose to adopt IFRS 18 earlier based on their requirements after the FSC endorses IFRS 18.

Except for the following, the Group expects that the above standards and interpretations have no significant impact to the Group's consolidated financial statements.

IFRS 18, 'Presentation and disclosure in financial statements'

IFRS 18, 'Presentation and disclosure in financial statements' replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes. The quantitative impact will be disclosed when the assessment is complete.

4. Summary of Material Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements of the Group have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture.

Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership(%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2025	December 31, 2024	Description
NAK SEALING TECHNOLOGIES CORPORATION	SMOOTH TRACK ASSOCIATES LIMITED (“SMOOTH”)	Engaged in general investment activities.	100	100	Note 1
NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING PRODUCTS (THAILAND) CO., LTD.	Expanding market share in Southeast Asia through sales of seals and accessories.	100	100	
NAK SEALING TECHNOLOGIES CORPORATION	SHOWMOST INTERNATIONAL CO., LTD. (“SHOWMOST”)	Engaged in general investment activities.	100	100	
NAK SEALING TECHNOLOGIES CORPORATION	Song Quan International Co., Ltd.	Manufacturing of rubber products.	100	100	Note 1
SHOWMOST INTERNATIONAL CO., LTD. (“SHOWMOST”)	NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	Selling seals and accessories.	60	60	
SMOOTH TRACK ASSOCIATES LIMITED (“SMOOTH”)	NAK HONGKONG CO., LTD.	Engaged in general investment activities.	100	100	Note 1
NAK HONGKONG CO., LTD.	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Production and manufacturing of various types of seals and accessories.	100	100	Note 1

Note 1: Significant subsidiaries.

Note 2: Song Quan International Co., Ltd. increased its cash capital amounting to $15,000 thousand on February 3, 2025, November 19, 2025 and April 22, 2024, respectively. The registration for the change had been completed.

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

None.

E. Significant restrictions:

None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(c) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Group retains partial interest in the former foreign associate or joint arrangement after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangement, such transactions should be accounted for as disposal of all interest in these foreign operations.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets that are expected to be realised, or are intended to be sold or consumed in the normal operating cycle;

(b) Assets that are held primarily for the purpose of trading;

(c) Assets that are expected to be realised within twelve months after the reporting period;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities for at least twelve months after the reporting period.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled in the normal operating cycle;

(b) Liabilities that are held primarily for the purpose of trading;

(c) Liabilities that are due to be settled within twelve months after the reporting period;

(d) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

(6) <u>Cash equivalents</u>

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) <u>Financial assets at amortised cost</u>

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company’s business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using settlement date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9) Impairment of financial assets

For financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(11) Leasing arrangements (lessor)－operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(13) Investments accounted for using equity method / subsidiaries, associates and joint ventures

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' or 'retained earnings' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

F. At the balance sheet date, the Group performs an impairment test for an investment in an associate when there is an indication that the investment may be impaired. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Land improvement	6 ～ 11 years
Buildings and structures	3 ～ 56 years
Machinery equipment	3 ～ 12 years
Transportation equipment	3 ～ 9 years
Office equipment	1 ～ 6 years
Other equipment	2 ～ 26 years

(15) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 10 year(s).

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(23) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(25) Revenue recognition

Sales of goods

The Group manufactures and sells a range of oil seal related products. Sales are recognised when control of the products has transferred. Delivery occurs when the products have been shipped to the specific location, significant risks and returns have been transferred to the sales counterparty, and either the sales counterparty has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(26) Reorganisation

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the strong competition market and the effect of price fluctuation of international raw materials, such as glue, fossil oil and steel, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2025, the carrying amount of inventories was $948,353 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash on hand and petty cash	$ 1,300	$ 1,384
Demand deposits	321,456	394,674
Foreign currency deposit	20,594	37,478
Checking accounts	112	314
	$ 343,462	$ 433,850

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

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at amortised cost

Items	December 31, 2025	December 31, 2024
Current items:		
Time deposits (with maturity date over three months)	$ 283,930	$ 237,599
Non-current items:		
Corporate bonds	$ 9,960	$ -

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31	
	2025	2024
Interest income	$ 5,277	$ 6,395

B. The Group has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group’s investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable

	December 31, 2025	December 31, 2024
Notes receivable	$ 390,174	$ 346,439

	December 31, 2025	December 31, 2024
Accounts receivable	$ 1,199,114	$ 1,087,548
Less: Allowance for uncollectible accounts	(32,967)	(26,833)
	$ 1,166,147	$ 1,060,715

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2025		December 31, 2024	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 1,026,301	$ 390,174	$ 922,562	$ 346,439
1 to 30 days	86,544	-	90,192	-
31 to 90 days	45,855	-	43,102	-
91 to 180 days	7,660	-	8,722	-
181 to 360 days	18,104	-	8,221	-
Over 361 days	14,650	-	14,749	-
	$ 1,199,114	$ 390,174	$ 1,087,548	$ 346,439

The above ageing analysis was based on past due date.

B. As of December 31, 2025, December 31, 2024 and January 1, 2024, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2024, the balance of receivables from contracts with customers amounted to $1,399,585 thousand.

C. The Group assesses some of the notes receivable (which are bank drafts) discounted to the bank meets the requirements for the exclusion of financial assets, provided that the receiver (the accepting bank) refuses to pay and the Group is liable to pay, although the credit rating of the receiver (the accepting bank) mentioned above is good, in general, the Group does not expect the accepting bank to refuse payment. The Group has posted to the bank, but it has not yet matured, the following summary information is available:

	December 31, 2025	December 31, 2024
Amount derecognized	$ 129,102	$ 50,301

D. As of December 31, 2025 and 2024, the Group had outstanding discounted notes receivable amounting to $71,794 thousand, and $42,480 thousand, respectively. The Group has a payment obligation should the drawers of the notes refuse to pay at maturity. However, in general, the Group does not expect that the drawers of the notes would refuse to pay for the notes at maturity. The liabilities arising on discounted notes receivable were presented as is provided in Note 6(9).

E. The Group assesses that part of the notes receivable (which are bank acceptance bills) are endorsed and transferred to other parties, which meets the requirements for delisting financial assets. However, if the acceptor (the accepting bank) refuses to pay when due, the Group has the obligation to repay. However, the aforementioned acceptor (the acceptance bank) The credit rating of the accepting bank (the accepting bank) is good and it is estimated that almost all risks and rewards have been transferred. Under normal circumstances, the Group does not expect the acceptor (the accepting bank) to refuse payment, so it is removed. As of December 31, 2025 and 2024, the Group's delisted notes receivable that have been endorsed and transferred but have not yet matured were $6,989 thousand and $13,384 thousand, respectively.

F. As at December 31, 2025 and 2024, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s notes and accounts receivable were $390,174 thousand and $346,439 thousand； $1,160,147 thousand and $1,060,715 thousand, respectively.

G. The Group has no notes and accounts receivable pledged to others as collateral.

H. Information relating to credit risk is provided in Note 12(2).

(4) Inventories

	December 31, 2025		
	Cost	Allowance for obsolescence and valuation loss	Book value
Raw materials	$ 189,660	($ 8,685)	$ 180,975
Work in progress	283,806	(2,887)	280,919
Finished goods	525,260	(38,801)	486,459
	$ 998,726	($ 50,373)	$ 948,353

	December 31, 2024		
	Cost	Allowance for obsolescence and valuation loss	Book value
Raw materials	$ 221,407	($ 6,388)	$ 215,019
Work in progress	239,473	(5,630)	233,843
Finished goods	568,018	(44,964)	523,054
	$ 1,028,898	($ 56,982)	$ 971,916

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2025	2024
Cost of goods sold	$ 2,440,280	$ 2,348,096
Gain on reversal of market value decline and obsolete and slow-moving inventories	(6,483)	(3,935)
Others	(1,121)	(2,111)
	$ 2,432,676	$ 2,342,050

A. The Group reversed a previous inventory write-down because it sold certain inventories which were previously provided with allowance for the years ended December 31, 2025 and 2024.

B. On May 30, 2024, the Sixth Plant owned by the Group absorbed some fire damage, and a portion of the inventory in the plant was damaged. The Group has conducted a review and derecognized the inventory which were damaged by the fire amounting to $179 thousand. The related losses and actual insurance claims income are presented in net amount and are shown as losses under other gains and losses.

(5) Investments accounted for using equity method

The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarized below:

	December 31, 2025	December 31, 2024	Shareholding ratio
KISH NAK OIL SEAL MFG.CO.,LTD. ("KISH NAK")	$ -	$ -	49%
NAK TOTAL SEALING SOLUTIONS PTY LTD. ("NAK TOTAL")	15,021	13,993	49%
BUSINESS FRIEND LIMITED ("BUSINESS FRIEND")	892	1,000	33.34%
NAK INTERNATIONAL LTD. ("NAK INTERNATIONAL")	35,148	26,962	33.33%
	$ 51,061	$ 41,955	

A. Share of profit of associates and joint ventures accounted for using equity method are as follows:

	Year ended December 31	
	2025	2024
Share of profit/(loss) of associates and accounted for under equity method:		
KISH NAK OIL SEAL MFG.CO.,LTD.	$ -	$ 2,668
NAK TOTAL SEALING SOLUTIONS PTY LTD.	2,129	4,701
BUSINESS FRIEND LIMITED	(67)	(9)
NAK INTERNATIONAL LTD. ("NAK INTERNATIONAL")	6,372	6,935
	8,434	14,295
Other comprehensive income (loss), net of tax	2,215	(412)
Total comprehensive income	$ 10,649	$ 13,883

B. Long-term equity investments accounted for using equity method for the years ended December 31, 2025 and 2024 were based on each investee's audited financial statements.

(6) Property, plant and equipment

	Year ended December 31, 2025					
	Beginning balance	Additions	Decreases	Transfers	Net exchange differences	Ending balance
Cost						
Land	$ 615,387	$ -	$ -	$ -	$ 133	$ 615,520
Land improvements	10,047	-	-	-	-	10,047
Buildings and structures	1,051,379	20,993	(16,375)	4,489	606	1,061,092
Machinery and equipment	1,321,261	119,977	(15,746)	18,278	2,917	1,446,687
Transportation equipment	38,428	1,562	(174)	-	103	39,919
Office equipment	94,169	25,191	(5,376)	1,096	284	115,364
Other equipment	644,670	52,769	(27,626)	6,003	82	675,898
Unfinished construction and equipment under acceptance	37,479	123,664	-	(29,866)	30	131,307
	$ 3,812,820	$344,156	($ 65,297)	$ -	$ 4,155	4,095,834
Accumulated depreciation and impairment						
Land improvements	$ 7,457	$ 401	$ -	$ -	$ -	$ 7,858
Buildings and structures	477,437	34,243	(13,483)	-	757	498,954
Machinery and equipment	851,695	81,456	(14,216)	-	1,091	920,026
Transportation equipment	33,085	2,054	(150)	-	21	35,010
Office equipment	79,917	15,004	(5,334)	-	230	89,817
Other equipment	447,286	45,428	(26,222)	-	(200)	466,292
	$ 1,896,877	$178,586	($ 59,405)	$ -	$ 1,899	$ 2,017,957
Book value	$ 1,915,943					$ 2,077,877

	Year ended December 31, 2024					
	Beginning balance	Additions	Decreases	Transfers	Net exchange differences	Ending balance
Cost						
Land	$ 615,184	$ -	$ -	$ -	$ 203	$ 615,387
Land improvements	10,047	-	-	-	-	10,047
Buildings and structures	1,026,004	9,662	(704)	3,065	13,352	1,051,379
Machinery and equipment	1,209,420	144,493	(68,322)	20,615	15,055	1,321,261
Transportation equipment	37,043	909	(170)	284	362	38,428
Office equipment	86,132	8,046	(2,890)	2,400	481	94,169
Other equipment	623,782	44,729	(27,354)	1,855	1,658	644,670
Unfinished construction and equipment under acceptance	32,180	33,079	-	(28,219)	439	37,479
	$ 3,639,792	$240,918	($ 99,440)	$ -	$ 31,550	3,812,820
Accumulated depreciation and impairment						
Land improvements	$ 7,056	$ 401	$ -	$ -	$ -	$ 7,457
Buildings and structures	439,676	34,071	(649)	-	4,339	477,437
Machinery and equipment	830,182	74,448	(61,884)	-	8,949	851,695
Transportation equipment	30,030	2,901	(170)	-	324	33,085
Office equipment	72,187	10,179	(2,860)	-	411	79,917
Other equipment	417,608	45,385	(16,644)	-	937	447,286
	$ 1,796,739	$167,385	($ 82,207)	$ -	$ 14,960	$ 1,896,877
Book value	$ 1,843,053					$ 1,915,943

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows: None.

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

C. The aforementioned property, plant and equipment are all for own use.

D. On May 30, 2024, the Sixth Plant owned by the Group absorbed some fire damage, and a portion of the equipment in the plant was damaged. The Group has conducted a review and derecognized the buildings and equipment which were damaged by the fire amounting to $13,026 thousand. The related losses and actual insurance claims income are presented in net amount and are shown as losses under other gains and losses.

(7) Lease transactions—lessee

A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 1 to 50 year(s). Land has the rights of possession, use and income according to the agreement and the use of land shall not be changed arbitrarily. Other lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The lease period of some transportation equipment leased by the Group does not exceed 12 months, and the underlying assets leased with low value are photocopiers and AED equipment.

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

	December 31, 2025		December 31, 2024	
	Carrying amount		Carrying amount	
Land-use right	$	47,502	$	48,827
Buildings		1,569		391
Transportation equipment (business vehicle)		402		757
	$	49,473	$	49,975

	Year ended December 31			
	2025		2024	
	Depreciation charge		Depreciation charge	
Land-use right	$	1,308	$	1,346
Buildings		1,522		2,114
Transportation equipment (business vehicle)		360		389
	$	3,190	$	3,849

D. For the years ended December 31, 2025 and 2024, the additions to right-of-use assets amounted to $___ thousand and $0 thousand, respectively.

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

	Year ended December 31			
Items affecting profit or loss	2025		2024	
Interest expense on lease liabilities	$	71	$	92
Expense on short-term lease contracts		392		674
Expense on variable lease payments		199		220
Expense on leases of low-value assets		62		31
	$	724	$	1,017

F. For the years ended December 31, 2025 and 2024, the Group's total cash outflow for leases were $2,893 thousand and $3,302 thousand, respectively.

(8) Other payables

	December 31, 2025	December 31, 2024
Wages and bonus payable	$ 166,392	$ 163,638
Discounted notes receivable liability	71,794	42,480
Processing fees payable	58,993	47,853
Employees' compensation and directors' remuneration payable	52,513	57,569
Payable on machinery and equipment	48,486	37,913
Consumables expenses payable	32,728	28,320
Utility payable	8,513	7,356
Repair and maintenance payable	6,519	3,502
Insurance payable	4,944	4,894
Other accrued expenses	50,271	57,115
	$ 501,153	$ 450,640

(9) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2025
Secured borrowings	2030.10.20	Land and structures	$ 56,600
Less: Current portion			(11,320)
			$ 45,280
Interest rate range			2.22%

Type of borrowings	Borrowing period and repayment term	Collateral	December 31, 2024
Secured borrowings	2030.10.20	Land and structures	$ 67,920
Less: Current portion			(11,320)
			$ 56,600
Interest rate range			2.22%

For information on guarantees provided for land and buildings, please refer to Note 8.

(10) Pensions

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

(b) The amounts recognised in the balance sheet are as follows:

	December 31, 2025	December 31, 2024
Present value of defined benefit obligations	($ 121,827)	($ 126,025)
Fair value of plan assets	127,690	125,839
Net defined benefit assets (liability)	$ 5,863	($ 186)

(c) Movements in net defined benefit liabilities are as follows:

	2025		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
At January 1	($ 126,025)	$ 125,839	($ 186)
Current service cost	(252)	-	(252)
Interest (expense) income	(2,047)	2,091	44
Past service cost	(6,112)	(225)	(6,337)
Settlement gain (loss)	3,550	(4,465)	(915)
	(130,886)	123,240	(7,646)
Remeasurements:			
Change in demographic assumptions	(2,793)	-	(2,793)
Return on plan assets (excluding amounts included in interest income or expense)	-	8,659	8,659
Experience adjustments	122	-	122
	(2,671)	8,659	5,988
Pension fund contribution	6,112	1,409	7,521
Paid pension	5,618	(5,618)	-
At December 31	($ 121,827)	$ 127,690	$ 5,863

	2024		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit assets
At January 1	($ 142,058)	$ 113,734	($ 28,324)
Current service cost	(396)	-	(396)
Interest (expense) income	(1,674)	1,370	(304)
Past service cost	-	-	-
	(144,128)	115,104	(29,024)
Remeasurements:			
Change in demographic assumptions	4,675	-	4,675
Return on plan assets (excluding amounts included in interest income or expense)	-	10,127	10,127
Experience adjustments	9,940	-	9,940
	14,615	10,127	24,742
Pension fund contribution	-	4,096	4,096
Paid pension	3,488	(3,488)	-
At December 31	($ 126,025)	$ 125,839	($ 186)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2025 and 2024 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2025	2024
Discount rate	1.35%	1.65%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience for the years ended December 31, 2025 and 2024 are set based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

(f) Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2025				
Effect on present value of defined benefit obligation	($ 2,271)	$ 2,339	$ 2,318	($ 2,262)
December 31, 2024				
Effect on present value of defined benefit obligation	($ 2,490)	$ 2,566	$ 2,551	($ 2,488)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period

(g) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2026 amount to $5,477 thousand.

(h) As of December 31, 2025, the weighted average duration of the retirement plan is 7 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 8,111
1-2 year(s)	18,110
2-5 years	18,286
Over 5 years	90,473
	$ 134,980

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiaries, KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD. and Guangzhou Mt. Port Automotive Technology Limited Company, have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of the contribution base for payments which is announced by the local government. Other than the monthly contributions, the Group has no further obligations. The contribution percentage for the years ended December 31, 2025 and 2024, was as follows:

	Year ended December 31	
	2025	2024
KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	16%	16%

(c) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2025 and 2024 were $26,922 thousand and $31,503 thousand, respectively.

(11) Share capital

As of December 31, 2025, the Company's authorised capital was $1,000,000 thousand, and the paid-in capital was $831,613 thousand with a par value of $10 per share. All proceeds from shares issued have been collected.

(12) Capital surplus

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

(13) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, if any, to be retained or to be appropriated shall be proposed by the Board of Directors and resolved by the stockholders.

B. The Company's dividend policy was summarised below: for the appropriation of earnings as proposed by the Board of Directors, the shareholders' total dividends should be more than 50% of accumulated distributable earnings, and the cash dividends should be more than 20% of the shareholders' total dividends. However, the appropriation ratio of retained earnings and the shareholders' dividends ratio could be adjusted by the resolution of the shareholders based on the actual profit and capital conditions of current year.

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

D. According to Jin-Guan-Zheng-Fa-Zi Letter No.1010012865, dated April 6, 2012, the net deduction of other shareholders' equity in the account that occurs in the current year, the same amount of special surplus reserve set aside from the current profit and loss as the undistributed earnings of the previous period shall not be distributed; however, the Company has set aside a special surplus reserve when applying IFRS for the first time. As for the surplus reserve, the difference between the amount already set aside and the net deduction of other equity items should be set aside as a special surplus reserve.

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

(b) The amount previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be the same as the amount reclassified from accumulated translation adjustment under shareholders' equity to retained earnings for the exemptions elected by the Company. The special reserve increased as a result of retained earnings arising from the conversion adoption of IFRS by $6,326 thousand.

F. The dividend distributions for the years 2024 and 2023, which was approved at the shareholders' meeting on June 13, 2025 and June 20, 2024, respectively, are as follows:

	Year ended December 31			
	2024		2023	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 74,061		$ 99,018	
(Reversal of) provision for special reserve	(56,245)		30,884	
Cash dividends	682,129	$ 7.0	582,129	$ 7.0

G. The appropriation of 2024 earnings as proposed and approved by the Board of Directors in March 13, 2025 are as follows:

	Year ended December 31 2025	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 68,293	
(Reversal of) provision for special reserve	(9,526)	
Cash dividends	582,129	$ 7.0

The aforementioned distribution of 2025 would be effective after the resolution of the shareholders.

H. Please refer to Note 6(18) for information regarding employees' compensation that includes remuneration allocated to rank - and - file employees and directors' remuneration.

(14) Other equity items

	Year ended December 31, 2025	
	Foreign currency translation	Total
At January 1	($ 141,419)	($ 141,419)
Currency translation differences:		
- Group	9,138	9,138
- Taxes	(1,828)	(1,828)
- Associates	2,769	2,769
- Taxes	(553)	(553)
At December 31	($ 131,893)	($ 131,893)

	Year ended December 31, 2024	
	Foreign currency translation	Total
At January 1	($ 197,664)	($ 197,664)
Currency translation differences:		
- Group	70,821	70,821
- Taxes	(14,164)	(14,164)
- Associates	(515)	(515)
- Taxes	103	103
At December 31	($ 141,419)	($ 141,419)

(15) Operating revenue

	Year ended December 31	
	2025	2024
Revenue from contracts with customers	$ 3,990,745	$ 3,923,456

A. Disaggregation of revenue from contracts with customers

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

	Year ended December 31, 2025												
	Asia			America			Europe			Others			
	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Total
Revenue from contracts with customers	$ 2,464,763	$ 233,623	$ 87,567	$ 491,278	$ -	$ 43,128	$ 822,095	$ -	$ 100,454	$ 29,273	$ -	$ 3,272	$ 4,275,453
Inter-segment revenue	(78,145)	(206,563)	-	-	-	-	-	-	-	-	-	-	(287,408)
Revenue from external customers	$ 2,386,618	$ 27,060	$ 87,567	$ 491,278	$ -	$ 43,128	$ 822,095	$ -	$ 100,454	$ 29,273	$ -	$ 3,272	$ 3,990,745
Timing of revenue recognition at a point in time	$ 2,386,618	$ 27,060	$ 87,567	$ 491,278	$ -	$ 43,128	$ 822,095	$ -	$ 100,454	$ 29,273	$ -	$ 3,272	$ 3,990,745

	Year ended December 31, 2024												
	Asia			America			Europe			Others			
	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Oil seal	Complete rubber mix	Others	Total
Revenue from contracts with customers	$ 2,341,647	$ 343,754	$ 95,162	$ 519,816	$ -	$ 38,640	$ 803,158	$ -	$ 95,233	$ 29,129	$ -	$ 4,573	$ 4,271,112
Inter-segment revenue	(97,241)	(250,415)	-	-	-	-	-	-	-	-	-	-	(347,656)
Revenue from external customers	$ 2,244,406	$ 93,339	$ 95,162	$ 519,816	$ -	$ 38,640	$ 803,158	$ -	$ 95,233	$ 29,129	$ -	$ 4,573	$ 3,923,456
Timing of revenue recognition at a point in time	$ 2,244,406	$ 93,339	$ 95,162	$ 519,816	$ -	$ 38,640	$ 803,158	$ -	$ 95,233	$ 29,129	$ -	$ 4,573	$ 3,923,456

B. Contract liabilities (shown as other current liabilities)

The Group has recognised the following revenue-related contract liabilities:

	December 31, 2025	December 31, 2024	January 1, 2024
Contract liabilities:			
Contract liabilities-advance sales receipts	$ 14,103	$ 6,112	$ 10,025

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	Year ended December 31	
	2025	2024
Revenue recognised that was included in the contract liability balance at the beginning of the period	$ 4,409	$ 8,585

(16) Other gains and losses

	Year ended December 31	
	2025	2024
Foreign exchange gains, net	$ 8,444	$ 30,295
Disaster losses	-	(5,210)
Losses on disposals of property, plant and equipment	(5,644)	(1,982)
Other losses	(2,757)	(931)
	$ 43	$ 22,172

(17) Expenses by nature

	Year ended December 31	
	2025	2024
Employee benefit expense		
Wages and salaries	$ 801,844	$ 762,203
Labour and health insurance fees	73,826	76,233
Pension costs	34,382	32,203
Directors' remuneration	5,408	6,880
Other employee benefit expenses	66,878	59,634
	$ 982,338	$ 937,153
Depreciation charge	$ 181,776	$ 171,234
Amortisations	$ 27,153	$ 25,308

A. In accordance with the Articles of Incorporation of the Company, the Company shall distribute profits and ensure that the ratio shall not be lower than 3% for employees' compensation and shall not be higher than 3% for directors' remuneration, among the employee compensation amounts mentioned above, no less than 50% shall be allocated and distributed to rank - and - file employees remuneration.

B. The accrual of employees' compensation and directors' remuneration for the years ended December 31, 2025 and 2024, were as follows:

	Year ended December 31	
	2025	2024
Employees' compensation	$ 41,888	$ 46,041
Directors' remuneration	5,000	5,000
	$ 46,888	$ 51,041

The abovementioned amounts are shown under wages and salaries expense. For the years ended December 31, 2025 and 2024, the employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period:

	Year ended December 31	
	2025	2024
Employees' compensation ratio	4.68%	4.76%
Directors' remuneration ratio	0.56%	0.52%

C. Employees' compensation and directors' remuneration for 2024 amounting to $46,041 thousand and $5,000 thousand, respectively, as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2024 financial statements.

D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(18) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2025	2024
Current tax:		
Current tax on profits for the period	$ 259,789	$ 258,609
Tax on undistributed surplus earnings	-	9,420
Prior year income tax (overestimation) underestimate	(915)	1,408
Total current tax	258,874	269,437
Deferred tax:		
Origination and reversal of temporary differences	41,480	47,623
Total deferred tax	41,480	47,623
Income tax expense	$ 300,354	$ 317,060

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

	Year ended December 31	
	2025	2024
Currency translation differences	$ 2,381	$ 14,061
Remeasurements of defined benefit plans	1,198	4,948
	$ 3,579	$ 19,009

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2025	2024
Tax calculated based on profit before tax and statutory tax rate	$ 312,010	$ 313,402
Expenses disallowed by tax regulation	2,652	1,817
Income Exempt from Taxation According to Tax Laws	(384)	(248)
Prior year income tax (overstmation) underestimation	(915)	1,408
Tax on undistributed earnings	-	9,420
Others (Note1)	(13,009)	(8,739)
Income tax expense	$ 300,354	$ 317,060

Note1: Others refer to the deduction of research and development expenses incurred in developing new technologies, new products and new crafts.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2025			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Unrealised gain on inter affiliate sales	$ 13,965	($ 1,149)	$ -	$ 12,816
Allowance for inventory valuation losses	9,171	(571)	-	8,600
Allowance for bad debts	5,590	836	-	6,426
Unallocated amount of pension expense	8,193	1,210	-	9,403
Revenue from export sales	2,141	(291)	-	1,850
Compensation for land acquisition	2,258	(61)	-	2,197
Unused employees' compensated absence	4,995	366	-	5,361
Cumulative translation adjustment of long-term equity investments	16,663	-	(2,381)	14,282
Subtotal	$ 62,976	$ 340	($ 2,381)	$ 60,935
Deferred tax liabilities:				
–Temporary differences:				
Benefits of factory relocation	($ 21,945)	$ 1,141	$ -	($ 20,804)
Recognised investment profit which is adopting equity method	(379,098)	(41,056)	-	(420,154)
Provision for land increment tax	(7,165)	-	-	(7,165)
Unrealised foreign exchange profit	(333)	(1,905)		(2,238)
Remeasurement of defined benefit plan	(5,424)	-	(1,198)	(6,622)
	($ 413,965)	($ 41,820)	($ 1,198)	($ 456,983)
		($ 41,480)	($ 3,579)	

	2024			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Unrealised gain on inter affiliate sales	$ 16,235	($ 2,270)	$ -	$ 13,965
Allowance for inventory valuation losses	9,958	(787)	-	9,171
Allowance for bad debts	5,503	87	-	5,590
Unallocated amount of pension expense	8,872	(679)	-	8,193
Revenue from export sales	2,220	(79)	-	2,141
Compensation for land acquisition	2,234	24	-	2,258
Unused employees' compensated absence	4,723	272	-	4,995
Unrealised foreign exchange loss	3,684	(3,684)	-	-
Cumulative translation adjustment of long-term equity investments	30,724	-	(14,061)	16,663
Subtotal	$ 84,153	($ 7,116)	($ 14,061)	$ 62,976
Deferred tax liabilities:				
–Temporary differences:				
Benefits of factory relocation	($ 22,235)	$ 290	$ -	($ 21,945)
Recognised investment profit which is adopting equity method	(338,634)	(40,464)	-	(379,098)
Provision for land increment tax	(7,165)	-	-	(7,165)
Unrealised foreign exchange profit	-	(333)		(333)
Remeasurement of defined benefit plan	(476)	-	(4,948)	(5,424)
	($ 368,510)	($ 40,507)	($ 4,948)	($ 413,965)
		($ 47,623)	($ 19,009)	

B. The table below listed the year which the Company and its domestic subsidiaries' income tax returns have been assessed and approved by the Tax Authority:

Company name	Approval year
NAK SEALING TECHNOLOGIES CORPORATION	2023
Song Quan International Co., Ltd.	2023

C. Situation of applicable tax rate:

Subsidiaries and affiliates	Application of income tax law	Applicable tax rate:
KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Enterprise Income Tax Law of the People's Republic of China	25%
NAK SEALING PRODUCTS (THAILAND) CO., LTD.	Corporate Income Tax Act of Thailand	20%
NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	Corporate Tax Law	25%
Song Quan International Co., Ltd.	Profit-seeking Enterprise Income Tax	20%

(19) Earnings per share

	Year ended December 31, 2025		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 678,141	83,161	$ 8.15
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	678,141	83,161	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	497	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 678,141	83,658	$ 8.11

	Year ended December 31, 2024		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 720,814	83,161	$ 8.67
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	720,814	83,161	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	508	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 720,814	83,669	$ 8.62

When calculated the diluted earnings per share, potential ordinary shares will be included in the number of weighted-average outstanding shares if potential ordinary shares had diluted effects, based on the assumption that employees' bonus will be distributed in the form of shares.

(20) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2025	2024
Purchase of property, plant and equipment	$ 344,156	$ 240,918
Add: Opening balance of payable on equipment	37,913	31,239
Ending balance of prepayments for business facilities	44,105	42,249
Less: Ending balance of payable on equipment	(48,486)	(37,913)
Opening balance of prepayments for business facilities	(42,249)	(17,928)
Cash paid during the period	$ 335,439	$ 258,565

(21) Changes in liabilities from financing activities

	Long-term borrowings	Lease liability	Dividends payable	Deposit received	Liabilities from financing activities-gross
January 1, 2025	$ 67,920	$ 1,189	$ -	$ 600	$ 69,709
Changes in cash flow from financing activities	(11,320)	(2,169)	(582,129)	-	(595,618)
Changes in other non-cash items	-	2,704	582,129	-	584,833
December 31, 2025	$ 56,600	$ 1,724	$ -	$ 600	$ 58,924

	Long-term borrowings	Lease liability	Dividends payable	Deposit received	Liabilities from financing activities-gross
January 1, 2024	$ 79,240	$ 3,426	$ -	$ -	$ 82,666
Changes in cash flow from financing activities	(11,320)	(2,285)	(582,129)	600	($ 595,134)
Changes in other non-cash items	-	48	582,129	-	$ 582,177
December 31, 2024	$ 67,920	$ 1,189	$ -	$ 600	$ 69,709

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
KISH NAK OIL SEAL MFG. CO., LTD. ("KISH NAK")	Affiliated Companies
NAK INTERNATIONAL LTD. ("NAK INTERNATIONAL")	Affiliated Companies
NAK TOTAL SEALING SOLUTIONS PTY LTD. ("NAK TOTAL")	Affiliated Companies
FU MAO MEI INVESTMENT CO., LTD.	The Company's chairman is the company's represen tative.

(2) Significant related party transactions

A. Operating revenue:

	Year ended December 31	
	2025	2024
Sales of goods:		
- Associates	$ 99,690	$ 150,325

Goods are sold to related parties at the same price to general customers. The collection term usually was 45~90 days after delivery, and 30~180 days after delivery for general customers.

B. Receivables from related parties:

	December 31, 2025	December 31, 2024
Accounts receivable:		
- Associates	$ 36,418	$ 35,825
Less: Allowance for uncollectible accounts	(2,801)	(2,801)
	$ 33,617	$ 33,024
Long-term receivables (shown as other non-current assets):		
- Associates	$ 28,079	$ 24,426
Less: Allowance for uncollectible accounts	(25,377)	(24,426)
	$ 2,702	$ -

(a) The receivables from related parties arise mainly from sales. The receivables are due 45~180 days after the date of sales. The receivables are unsecured in nature and bear no interest.

(b) For the year ended December 31, 2020, loss allowance for accounts receivable due from related parties of $24,426 thousand was transferred into loss allowance for long-term receivables due from related parties, and past due credit loss had been provisioned in full amount for the receivables of the related party-Iran.

(c) Interest receivables amounting to $3,653 thousand from other receivables due from related parties were reclassified to long-term receivables due from related parties. An allowance for credit losses of $951 thousand was recognized for overdue receivables from the related party KISH NAK.

(d) The aforementioned past due accounts transferred to other receivables was a reclassification of accounts receivable which had exceeded the credit term. The ageing analysis is as follows:

		December 31, 2025	December 31, 2024
	Aging distribution	Overdue aging	Overdue aging
- Associates			
KISH NAK OIL	More than 360 days	$ 27,080	$ 24,426
Others	More than 360 days	999	-
		$ 28,079	$ 24,426

C. Loans to/from related parties: Refer to Note 13(1) A. for details.

(3) Rental income (Shown as other income)

	December 31, 2025	December 31, 2024
Key management	$ 23	$ -

Key management leased a building from the subsidiary, Song Quan International Co., Ltd. The lease term is from January 1, 2025 to December 31, 2025, with rent payable semi-annually.

(4) Key management compensation

	Year ended December 31	
	2025	2024
Short-term employee benefits	$ 36,926	$ 51,918
Post-employment benefits	765	851
Total	$ 37,691	$ 52,769

8. Pledged Assets

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

	Book value		
Pledged asset	December 31, 2025	December 31, 2024	Purpose
Property, plant and equipment	$ 851,559	$ 846,843	Long-term and short-term borrowings

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	December 31, 2025	December 31, 2024
Property, plant and equipment	$ 80,788	$ 101,092
Intangible assets	-	1,600
	$ 80,788	$ 102,692

B. As of December 31, 2025 and 2024, the Company's total unused letters of credit for the import of raw materials and machinery equipment were $8,674 thousand and $4,076 thousand, respectively.

10. Significant Disaster Loss

On May 30, 2024, the Sixth Plant owned by the Group absorbed some fire damage, and a portion of the inventory in the plant was damaged. The Group has conducted a review and derecognized the equipment and inventory which were damaged by the fire amounting to $13,026 thousand and $179 thousand, respectively. The damaged equipment and inventory were fully covered by property insurance. The insurance company, along with an appointed third-party notary, assisted in processing the insurance compensation. The insurance company issued the final settlement for the fire damage, and in 2024, the insurance compensation income of $7,995 thousand was recognized. The compensation was received in January 2025. The related losses and actual insurance claims income are presented in net amount and are shown as losses under other gains and losses.

11. Significant Events after the Balance Sheet Date

The distribution of 2025 earnings was proposed and approved by the Company’s Board of Directors on March 4, 2026. Please refer to Note 6(14)G for more details.

12. Others

(1) Capital management

The Group’s objectives when managing capital are based on the industrial scale of the industry the Group operated in, considering industrial future growth and product development, to set appropriate market share in order to plan the corresponding capital expenditure. Accordingly, the Group calculates the needed operating capital based on the financial operation plan, considering operating profit and cash inflows arising from product competitiveness, and determines the appropriate capital structure.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2025	December 31, 2024
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 343,462	$ 433,850
Financial assets at amortised cost-current	283,930	237,599
Notes receivable	390,174	346,439
Accounts receivable (including related parties)	1,199,764	1,093,739
Other receivables (including related parties)	20,099	30,370
Guarantee deposits paid (shown as other non-current assets)	1,105	1,237
	$ 2,238,534	$ 2,143,234

	December 31, 2025	December 31, 2024
Financial liabilities		
Financial liabilities at amortised cost		
Notes payable	$ 49	$ 109
Accounts payable	177,126	143,411
Other accounts payable	501,153	450,640
Long-term borrowings (including current portion)	56,600	67,920
Guarantee deposits received (shown as other non-current liabilities)	600	600
	$ 735,528	$ 662,680
Lease liability	$ 1,724	$ 1,189

B. Financial risk management policies

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

(b) For the risk management, the Group's treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, such as exchange rate risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of current residual capital.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR, JPY, AUD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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

	December 31, 2025		
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 13,199	31.4300	$ 414,845
EUR:NTD	5,365	36.9000	197,969
JPY:NTD	34,600	0.2010	6,955
AUD:NTD	467	21.0100	9,812
Non-monetary items			
USD:NTD	$ 1,147	31.4300	$ 36,050
AUD:NTD	715	21.0100	15,022
Financial liabilities			
Monetary items			
USD:RMB	$ 1,468	6.9910	$ 46,139

	December 31, 2024		
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 11,579	32.7850	$ 379,618
EUR:NTD	5,076	34.1400	173,295
JPY:NTD	160,379	0.2100	33,680
AUD:NTD	501	20.3900	10,215
Non-monetary items			
USD:NTD	$ 853	32.7850	$ 27,962
AUD:NTD	686	20.3900	13,993
Financial liabilities			
Monetary items			
USD:RMB	$ 1,341	7.3020	$ 43,965

iii. Due to various types of foreign currency, the total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2025 and 2024, aggregately amounted to a gain of $8,444 thousand and a gain of $30,925 thousand, respectively.

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

	Year ended December 31, 2025		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	2%	$ 8,298	$ -
EUR:NTD	2%	3,959	-
JPY:NTD	2%	139	-
AUD:NTD	2%	196	-
Non-monetary items			
USD:NTD	2%	$ -	NA
AUD:NTD	2%	-	NA
Financial liabilities			
Monetary items			
USD:RMB	2%	$ 923	$ -

	Year ended December 31, 2024				
	Sensitivity analysis				
	Degree of variation	Effect on profit or loss		Effect on other comprehensive income	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	2%	$	7,592	$	-
EUR:NTD	2%		3,466		-
JPY:NTD	2%		674		-
AUD:NTD	2%		204		-
Non-monetary items					
USD:NTD	2%	$	-		NA
AUD:NTD	2%		-		NA
Financial liabilities					
Monetary items					
USD:RMB	2%	$	879	$	-

Price risk

The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group continuously observes the future development and market trends of investees.

Cash flow and fair value interest rate risk

i. The Group's interest rate risk arises from short-term and long-term borrowings. Borrowings which were issued at variable rates let the Group be exposed to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. For the years ended December 31, 2025 and 2024, the Group's borrowings at variable rate were mainly denominated in New Taiwan dollars.

ii. If the borrowing interest rate had increased/decreased by 10 basis points with all other variables held constant, profit after tax for the years ended December 31, 2025 and 2024, would have increased/decreased by $45 thousand and $54 thousand, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the notes receivable and accounts receivable (including related parties) based on the agreed terms, other receivables and guarantee deposits paid and the contract cash flows of time deposits stated at amortised cost.

ii. The Group manages their credit risk taking into consideration the entire company's concern. Examined credit of banks, only banks assessed with good credit rating would be accepted as transaction counterparty. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The following indicators are used to determine whether the credit impairment of financial assets has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments; and

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The default occurs when the contract payments are past due over 1 year.

vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

vii. The Group applies the modified approach on notes receivable and accounts receivable based on the loss rate methodology to estimate the expected credit loss.

viii. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, thus, the provision matrix did not further distinguish customer segments, the expected credit losses were calculated from the past due date of accounts receivable.

ix. The Group used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2025 and 2024, the loss rate methodology is as follows:

December 31, 2025	Not past due	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 361 days	Total
Expected loss rate	0.20%	1.44%	9.61%	35.09%	43.61%	100.00%	
Total book value	$ 1,026,301	$ 86,544	$ 45,855	$ 7,660	$ 18,104	$ 14,650	$ 1,199,114
Loss allowance	($ 2,078)	($ 1,249)	($ 4,406)	($ 2,688)	($ 7,896)	($ 14,650)	($ 32,967)

December 31, 2024	Not past due	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	Over 361 days	Total
Expected loss rate	0.12%	1.03%	4.77%	33.52%	61.25%	100.00%	
Total book value	$ 922,562	$ 90,192	$ 43,102	$ 8,722	$ 8,221	$ 14,749	$ 1,087,548
Loss allowance	($ 1,140)	($ 928)	($ 2,057)	($ 2,924)	($ 5,035)	($ 14,749)	($ 26,833)

x. The Group assessed the expected loss rate of financial assets at amortised cost, notes receivable, other accounts (excluding receivables due from related parties) receivable and guarantee deposits paid was remote, thus, the balances of loss allowance as of December 31, 2025 and 2024, were not significant.

xi. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2025
	Allowance for uncollectible accounts
At January 1	$ 26,833
Provision of impairment loss	6,256
Amounts written off due to irrecoverability	(160)
Effect of foreign exchange	38
At December 31	$ 32,967

	2024
	Allowance for uncollectible accounts
At January 1	$ 13,864
Provision of impairment loss	12,581
Amounts written off due to irrecoverability	-
Effect of foreign exchange	388
At December 31	$ 26,833

xii. The Group transferred past due accounts receivable due from related parties into other accounts receivable due from related parties (long-term receivables due from related parties) and provisioned credit losses, the table of changes in loss allowance was as follows:

		December 31, 2025
		Loss allowance for accounts receivable due from related parties
At January 1 (December 31)	$	2,801

		December 31, 2025
		Loss allowance for long-term receivable due from related parties
At January 1	$	24,426
Provision of impairment loss		951
At December 31	$	25,377

		December 31, 2024
		Loss allowance for accounts receivable due from related parties
At January 1 (December 31)	$	2,801

		December 31, 2024
		Loss allowance for long-term receivable due from related parties
At January 1	$	24,426
Provision of impairment loss		-
At December 31	$	24,426

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling capital requirement forecasts of the Group to ensure it has sufficient capital to meet operational requirements while maintaining sufficient headroom on its undrawn committed borrowing facilities at any time.

ii. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The Group has the following undrawn borrowing facilities:

	December 31, 2025	December 31, 2024
Floating rate:		
Expiring within one year	$ 1,730,000	$ 1,730,000
Expiring beyond one year	-	-
Fixing rate:		
Expiring within one year	$ -	$ -
Expiring beyond one year	-	-

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

Non-derivative financial liabilities:

December 31, 2025	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 year(s)	Over 2 years	Total
Notes payable	49	-	-	-	49
Accounts payable	156,510	20,616	-	-	177,126
Other payables	384,089	117,064	-	-	501,153
Lease liability	198	594	792	288	1,872
Long-term borrowings (including current portion)	3,134	9,307	12,189	35,059	59,689

December 31, 2024	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 year(s)	Over 2 years	Total
Notes payable	$ 109	$ -	$ -	$ -	$ 109
Accounts payable	125,865	17,546	-	-	143,411
Other payables	175,356	275,284	-	-	450,640
Lease liability	507	313	173	288	1,281
Long-term borrowings (including current portion)	3,196	9,495	12,440	47,248	72,379

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investments in listed stocks and beneficiary certificates were included in

Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of cash and cash equivalents,financial assets at amortised cost, notes receivable, accounts receivable(including related parties), other receivables(including related parties), refundable deposits, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings(including current portion), guarantee deposits paid and lease liabilities are approximate to their fair values.

C. The related information on financial and nonfinancial instruments at fair value by level on the basis of nature:

None.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: None.

C. Holding of significant marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.

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

F. Significant inter-company transactions during the reporting periods: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 5.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. Operating segments information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

There were no significant changes in the composition of the Group’s businesses, the basis for segment division, and the measurement basis for segment information during the current period.

(2) Information about segment profit or loss, assets and liabilities

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

Year ended December 31, 2025	Taiwan	China	All other segments	Offset	Total
Revenue from external customers	$ 2,082,006	$ 1,803,047	$ 105,692	$ -	$ 3,990,745
Inter-segment revenue	283,166	1,542	-	(284,708)	-
Total segment revenue	$ 2,365,172	$ 1,804,589	$ 105,692	($ 284,708)	$ 3,990,745
Segment income	$ 678,141	$ 431,260	$ 14,886	($ 445,797)	$ 678,490
Segment income incuding :					
Financial cost	$ 509	$ 1,463	$ 1,408	($ 64)	$ 3,316
Depreciation and amortisation	145,845	66,072	2,948	(5,936)	208,929
Expense of income tax	169,582	128,604	2,168	-	300,354

Year ended December 31, 2024	Taiwan	China	All other segments	Offset	Total
Revenue from external customers	$ 2,100,818	$ 1,712,109	$ 110,529	$ -	$ 3,923,456
Inter-segment revenue	346,707	949	-	(347,656)	-
Total segment revenue	$ 2,447,525	$ 1,713,058	$ 110,529	($ 347,656)	$ 3,923,456
Segment income	$ 720,814	$ 393,088	$ 4,182	($ 397,259)	$ 720,825
Segment income incuding :					
Financial cost	$ 162	$ 1,224	$ 1,665	($ 55)	$ 2,996
Depreciation and amortisation	139,535	59,296	2,816	(5,105)	196,542
Expense of income tax	195,529	119,452	2,079	-	317,060

A reconciliation of reportable segment income or loss to the income (loss) before tax from continuing operations for the years ended December 31, 2025 and 2024 is provided as follows:

	Year ended December 31	
	2025	2024
Reportable segments revenue	$ 4,275,453	$ 4,271,112
Inter segment revenue	(284,708)	(347,656)
Consolidated operating income	$ 3,990,745	$ 3,923,456

	Year ended December 31	
	2025	2024
Reportable segments income	$ 1,124,287	$ 1,118,084
Inter segment income	(445,797)	(397,259)
Income from continuing operations	$ 678,490	$ 720,825

(3) Information on products and services

The Group's revenue primarily comes from the production and sales of various products, including oil seals and mixed rubber compounds.

Details of revenue are as follows:

	Year ended December 31	
	2025	2024
Oil Seal	$ 3,729,264	$ 3,596,509
Mixed rubber compounds	27,060	93,339
Others	234,421	233,608
	$ 3,990,745	$ 3,923,456

(4) Geographical information

The Group's geographic revenue is calculated based on continents where sales incur. Non-current assets are classified based on geographic location of assets and included property, plant and equipment, right-of-use asset, investment property, intangible asset and other non-current asset, but exclude financial assets at amortised cost, investments accounted for using equity method and deferred tax assets.

	Year ended December 31, 2025		Year ended December 31, 2024	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	$ 2,501,245	$ 2,212,123	$ 2,432,907	$ 2,042,101
Europe	922,549	-	898,391	-
America	534,406	-	558,456	
Africa	32,545	-	33,702	-
	$ 3,990,745	$ 2,212,123	$ 3,923,456	$ 2,042,101

(5) Major customer information

None of the revenue from any single customer has exceeded 10% of the revenue in the consolidated statement of comprehensive income for the years ended December 31, 2025 and 2024.

NAK SEALING TECHNOLOGIES CORPORATION

Loans to others

Year ended December 31, 2025

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2025	Equity at end of year	Actual amount drawn down	Interest rate	Nature of loan (Note 3)	Amount of transactions with the borrower (Note 2)	Reason for short-term financing	Allowance for creditor counterparty doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
0	NAK SEALING TECHNOLOGIES CORPORATION	KISH NAK OIL SEAL MFG. CO., LTD.	Other receivables	Y	$ 24,426	$ 24,426	$ 24,426	0%	(1)	$ -	-	$ 24,426	-	-	$ -	$ 428,578	Note 4、Note 5 and Note 6

Note 1: The description of the number column is as follows:
(1) 0 is reserved for issuer.
(2) Each invested company is numbered in sequential order starting from 1.

Note 2: (1) For whom having business relationship with the Company, limit on total loans granted was 10% of the Company’s net assets, limit on loans granted for a single party is the amount of transactions with the borrower in 1 year.
(2) For short-term financing, total financing activities should not be in excess of 20% of the Company’s net assets. Limit on loans granted to a single party should not be in excess of 10% of the Company’s net assets.
(3) Information for the nine months ended December 31, 2025.

Note 3: (1) Having business relationship.
(2)Short-term financing.

Note 4: According to the Accounting Research And Development Foundation Interpretation 93-167, past due accounts receivable were transferred to other receivables.

Note 5: The amount the Company loans to KISH NAK OIL SEAL MFG. CO., LTD. had exceeded the amount of transactions with the borrower in 1 year, thus, the Company did not meet “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the Company had set a improvement plan and sent it to the audit committee.

Note 6: The Company had receivables due from related parties to KISH NAK OIL SEAL MFG. CO., LTD. in the amount of $24,426 thousand which had provisioned past due credit loss in full amount. Please refer to Note 7(2) for information in relation to receivables due from related parties.

Note 7: The Company had receivable interest from related parties to KISH NAK OIL SEAL MFG. CO., LTD. in the amount of $2,654 thousand is recorded as other non - current assets.

NAK SEALING TECHNOLOGIES CORPORATION

Holding of material marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2025

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2025				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
NAK SEALING TECHNOLOGIES CORPORATION	TSMC 1st Unsecured Corporate Bond (green bond) in 2022- Tranche A (111-1)	-	Non-current financial assets at amortized cost	-	$ 10,000	-	$ 9,960	

<u>NAK SEALING TECHNOLOGIES CORPORATION</u>

<u>Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more</u>

<u>Year ended December 31, 2025</u>

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

			Transaction				Compared to third party transactions (Note 1)		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance at December 31, 2025	Percentage of total notes/accounts receivable (payable)	Footnote
NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Subsidiary	Sales	$ 229,024	5.74%	Collection in 90 days after delivery	Note 1	Collection in 90 days after delivery	$ 60,009	3.70%	Note 2

Note 1: The price of raw materials sold to KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD. includes a markup of approximately 10% , while the price of finished goods was the same as that of general customers.
Note 2: The transactions were eliminated when preparing the consolidated financial statements.

NAK SEALING TECHNOLOGIES CORPORATION

Significant inter-company transactions during the reporting periods

Year ended December 31, 2025

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

No. (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount (Note 4)	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
0	NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	1	Sales revenue	$ 229,024	The price of raw materials was marked up by approximately 10% , and price of finished goods was the same as that of general customers and collection in 90 days after delivery	5.74%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING PRODUCTS (THAILAND) CO., LTD.	1	Sales revenue	20,357	The sales price was in consistent with general suppliers and collection in 90 days after delivery	0.51%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING TECHNOLOGIES (INDIA) PRIVATE LIMITED	1	Sales revenue	33,785	The sales price was in consistent with general suppliers and collection in 90 days after delivery	0.85%
0	NAK SEALING TECHNOLOGIES CORPORATION	KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	1	Accounts receivable	60,009	The price of raw materials was marked up by approximately 10% , and price of finished goods was the same as that of general customers and collection in 90 days after delivery	1.08%
0	NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING TECHNOLOGIES (INDIA) PRIVATE LIMITED	1	Accounts receivable	12,398	The price of raw materials was marked up by approximately 10% , and price of finished goods was the same as that of general customers and collection in 90 days after delivery	0.22%

Note 1: The business transactions between the parent company and its subsidiaries shall be indicated in the “No.” column. This column shall be completed as follows:
(1) 0 is reserved for issuer.
(2) Each invested company is numbered in sequential order starting from 1.

Note 2: There are three types of relationships with the transaction parties. Please mark the type(there is no need to repeatedly disclose the same transaction between parent and subsidiary companies or between subsidiary companies.)
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

Note 3: The calculation of the transaction amounts as a percentage of total consolidated revenue or total assets is as follows: For balance sheet items, the calculation is based on the ending balance as a percentage of total consolidated assets; for income statement items, the calculation is based on the cumulative amount for the period as a percentage of total consolidated revenue.

Note 4: Only transaction amount exceeds NT$10 million will be disclosed.

NAK SEALING TECHNOLOGIES CORPORATION

Information on investees

Year ended December 31, 2025

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2025	Initial investment amount: Balance as at December 31, 2024	Shares held as at December 31, 2025: Number of shares	Shares held as at December 31, 2025: Ownership (%)	Shares held as at December 31, 2025: Book value	Net income of investee for the year ended December 31, 2025	Investment income (loss) recognised by the Company for the year ended December 31, 2025	Footnote
NAK SEALING TECHNOLOGIES CORPORATION	SMOOTH TRACK ASSOCIATES LIMITED	British Virgin Islands	General investments business	$ 155,266	$ 155,266	4,697,463	100	$ 2,083,851	$ 430,718	$ 430,718	
NAK SEALING TECHNOLOGIES CORPORATION	NAK SEALING PRODUCTS (THAILAND) CO., LTD.	Thailand	Oil seal sales	12,815	12,815	15,000	100	63,465	6,283	6,283	
NAK SEALING TECHNOLOGIES CORPORATION	KISH NAK OIL SEAL MFG. CO., LTD.	Iran	Oil seal production and sales	4,865	4,865	150,548	49	-	(4,231)	-	Note 3
NAK SEALING TECHNOLOGIES CORPORATION	SHOWMOST INTERNATIONAL CO., LTD.	Mauritius	General investments business	17,890	17,890	577,859	100	39,987	6,877	6,877	
NAK SEALING TECHNOLOGIES CORPORATION	BUSINESS FRIEND LIMITED	Hong Kong	General investments business	-	-	-	33.34	892	(200)	(67)	
NAK SEALING TECHNOLOGIES CORPORATION	NAK TOTAL SEALING SOLUTIONS PTY LTD.	Australia	Oil seal sales	13,957	13,957	4,900	49	15,021	4,345	2,129	
NAK SEALING TECHNOLOGIES CORPORATION	Song Quan International Co., LTD	Taiwan	Manufacture industry of rubber products	227,560	212,560	18,000	100	251,951	1,919	1,919	Note 2
SMOOTH TRACK ASSOCIATES LIMITED	NAK HONGKONG CO., LTD.	Hong Kong	General investments	149,289	149,289	7,320,000	100	2,119,316	431,280	-	Note 1
SHOWMOST INTERNATIONAL CO., LTD.	NAK INTERNATIONAL LTD.	Russia	Oil seal sales	3,561	3,561	-	33.33	45,125	19,117	-	Note 1
SHOWMOST INTERNATIONAL CO., LTD.	NAK SEALING TECHNOLOGIES INDIA PRIVATE LIMITED	India	Oil seal sales	1,149	1,149	2,097,865	60	6,230	873	-	Note 1

Note 1: The Company's reinvested second-tier subsidiary, and investment income (loss) recognised by the Company are not presented.

Note 2: The subsidiary, Song Quan International Co., Ltd., increased its cash capital amounting to $15,000 thousand in 2025. The effective date was set on February 3, 2025 and November 19, 2025. The registration for the change had been completed.

Note 3: The affiliated company, KISH NAK OIL SEAL MFG. CO., LTD., has incurred operating losses, resulting in a negative carrying value.In accordance with IAS 28, once the investor’s interest in the associate is reduced to zero, the investor shall recognize further losses and a corresponding liability only to the extent that it has incurred legal or constructive obligations, or has made payments on behalf of the associate.Under the terms of the investment agreement entered into at the time of the Company’s investment in Iran, the Company is not obligated to absorb its share of losses beyond the point at which the investment is reduced to zero.Therefore, the Company’s recognized losses are limited to the carrying amount of its equity investment in the associate.

NAK SEALING TECHNOLOGIES CORPORATION

Information on investments in Mainland China

Year ended December 31, 2025

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2025	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2025: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2025: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2025	Net income of investee as of December 31, 2025	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2025	Book value of investments in Mainland China as of December 31, 2025	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2025	Footnote
KUNSHAN MAOSHUN SEALING PRODUCTS INDUSTRIAL CO., LTD.	Production and manufacture kinds of sealing products and its component	$ 462,365	2	$ 148,385	$ -	$ -	$ 148,385	$ 431,259	100	$ 431,259	$ 2,118,565	$ 2,043,840	Note 1

Note 1: Investment is classified into following three categories. It is only necessary to mark the type:

(1) Engaged in direct investment in Mainland China.

(2) Invest in China through a third regional company.

(3) Other method

Note 2: Above amount involved foreign currency and was converted into New Taiwan dollar at the exchange rate on the balance sheet date.

Note 3: The financial statements that are reviewed and attested by R.O.C. parent company's CPA.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2025 (Note 2)	Investment amount approved by the Department of Investment Review of the Ministry of Economic Affairs (MOEA) (Note 2)	Ceiling on investments in Mainland China imposed by the Department of Investment Review of MOEA
NAK SEALING TECHNOLOGIES CORPORATION	$ 148,385	$ 298,585	$ 2,571,469

Note 1: Above amount involved foreign currency and was converted into New Taiwan dollar at the exchange rate on the balance sheet date.

Note 2:Investment amount approved by the Department of Investment Review of the Ministry of Economic Affairs (MOEA) is US$9,500 thousand and the US dollar exchange rate is 31.4300.