

**Protrade Applied Materials Corp. and
Subsidiaries**

**Consolidated Financial Statements and
Independent Auditors' Report**

2025 and 2024

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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Statement of Declaration

The companies that should be included in the consolidated financial statements of affiliated companies of the Company in 2025 (from January 1, 2025 to December 31, 2025) under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and consolidated financial statements of affiliated companies" are the same as those that should be included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards (IFRS) No. 10 recognized by the Financial Supervisory Commission. In addition, the information that should be disclosed in the consolidated financial statements of affiliated companies is included in the consolidated financial statements. Consequently, the consolidated financial statements of affiliated companies will not be prepared separately.

This statement is hereby made accordingly.

Company Name: Protrade Applied Materials Corp. and

Subsidiaries

Chairman: Lin, Chia-Chang

Date: March 10, 2026

Independent Auditor's Report

To the Board of Directors of Protrade Applied Materials Corp.:

Auditor's Opinion

We have audited the accompanying consolidated balance sheet of Protrade Applied Materials Corp. and subsidiaries (the "Group") as of December 31, 2025 and 2024 and the relevant consolidated statements of comprehensive income, consolidated changes in equity and cash flows for the years then ended, and relevant notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the consolidated financial statements).

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 conformity 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 endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards. Our responsibility under those standards is further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" paragraph of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters. In our professional judgement, the key audit matters that shall be communicated on the auditor's report are as follows:

I. Recognition of revenue

For accounting policies related to the recognition of revenue, please refer to Note 4 (14) of the consolidated financial statements. As for the disclosure of revenue, please refer to note 6 (18).

Description of key audit matters:

The Group's sales revenue is the main indicator of the evaluation of the financial or business performance by the investors and the management, with a higher risk of deceptive presentation. In addition, the Group has entered into contracts or orders with key trading partners. Due to differences in transaction terms among different customers, the complexity of assessing the appropriate timing for revenue recognition has increased. Therefore, we consider revenue recognition or the period around the balance sheet date to be one of the key audit matters of the financial statements in the current year.

Responsive audit procedures:

The main audit procedures for the above key audit matters include:

Understand the Group's operating status and industry characteristics, and review the sales contract to confirm the appropriate timing of revenue recognition and whether the accounting treatment is appropriate.

- Test the effectiveness of the design and implementation of internal controls relevant to revenue recognition.
- The trend analysis for the top ten customers covers the list of customers and the amount of sales revenue in the current period, the previous period and the same period last year, so as to assess whether there is any significant abnormality. If there is any material change, the reason for the change is verified and analyzed.
- The random inspections on sales transactions are conducted to assess the authenticity of sales transactions, the accuracy of the amount of sales revenue recognized, and reasonableness of the timing of recognition.
- Examine documentation for sales transactions recorded before and after year end to determine whether they are recorded in the proper period.

II. Inventory valuation

For the accounting policies related to the inventory valuation, please refer to "Note 4(8) Inventory" in the consolidated financial statements. For the uncertainty in accounting estimates and assumptions related to inventory valuation, please refer to Note 5 of the consolidated financial statements. For the information on inventory write-down, please refer to "Note 6(4) Inventory" of the consolidated financial statements.

Description of key audit matters:

The Group's main businesses cover the agency and sale of rubber and plastic products. The risk of inventory write-downs may arise as product prices are easily affected by fluctuations in the international market. As of December 31, 2025, the balance of inventories was NT\$532,378 thousand, which accounted for 25% of total assets. Inventory valuation relies on the subjective judgment of key management personnel, and thus we consider the assessment of inventories impaired to be one of the key audit matters of the financial statements in the current year.

Responsive audit procedures:

The main audit procedures for the above key audit matters include:

- Assess the reasonableness of the Group's inventory write-down or inventory obsolescence policy.
- Review the inventory aging report to analyze the reasonableness of changes in inventory aging across reporting periods.
- Assess whether the subsequent measurement of inventories was in accordance with the Group's established inventory provisioning policy and applied consistently across reporting periods.
- Understand the Group's selling price to assess the reasonableness of the net realizable value of inventories, and verify the accuracy of the selling price and net realizable value calculations through sampling, in order to assess the reasonableness of the year-end inventory write-down provision.
- For inventory with longer aging periods, the subsequent sales performance and the basis for net realizable value were reviewed to verify the reasonableness of the Group's provision for slow-moving inventory loss.

Other matters

We have audited the parent company only financial statements of Protrade Applied Materials Corp. for the years ended December 31, 2025 and 2024, with an auditors' report expressing the CPA's unqualified opinion for reference.

Responsibilities of management and the governing body for the consolidated financial statements

The responsibility of the management is to prepare a 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 endorsed and issued into effect by the Financial Supervisory Commission, and to maintain necessary internal controls related to the preparation of the consolidated financial statements to ensure that the financial statements are free from material misstatements due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless management intends to liquidate the Group or cease the operations without other viable alternatives.

The Group's governance bodies (including the Audit Committee and supervisors) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error and issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. The misstatements might be due to fraud or error. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

As part of an audit in accordance with the auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also performed the following tasks:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over 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 auditor's 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 disclosure, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governing body include the planned scope and times of the audit and significant audit findings (including any significant defects in internal control identified during the audit).

From the matters communicated with those charged with governance, we determine those matters that were of most significance of the Group's 2025 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's 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.

KPMG Taiwan

CPA:

Competent Securities Authority Document Approval No.: Jin-Guan-Zheng-Shen-Zi No. 1120333238
Jin-Guan-Zheng-Shen-Zi No. 1050036075

March 10, 2026

Protrade Applied Materials Corp. and Subsidiaries

Consolidated balance sheet

December 31, 2025 and 2024

Unit: NTD thousand

Assets		2025.12.31		2024.12.31		Liabilities and equity		2025.12.31		2024.12.31	
		Amount	%	Amount	%			Amount	%		
11xx	Current assets:					21xx	Current liabilities:				
1100	Cash and cash equivalents (Note 6(1))	\$ 187,628	9	333,282	15	2100	Short-term borrowings (Notes 6(9) and 9)	\$ 1,093,733	53	670,498	30
1150	Notes receivable, net (Notes 6(2) and (18))	208	-	8,437	-	2130	Contract liabilities - current (Note 6(18))	48,724	2	35,044	2
1170	Accounts receivable, net (Notes 6(2) and (18))	722,144	35	788,203	36	2170	Accounts payable	130,005	7	342,669	15
1200	Other receivables (Note 6(2) and (3))	12,834	1	34,512	2	2200	Other payables (Note 6(15) and (19))	46,952	2	58,844	3
1210	Other receivables - related parties (Notes 6(3) and 7)	1,000	-	-	-	2220	Other payables - Related parties (Notes 7 and 9)	324	-	422,486	19
1220	Current income tax assets	16,960	1	2,726	-	2230	Current income tax liabilities	6,942	-	12,957	1
130X	Inventories (Note 6(4))	532,378	25	675,297	31	2280	Lease liabilities - current (Note 6(11))	4,620	-	13,625	1
1421	Prepayments (Note 7)	119,279	5	93,339	4	2365	Refund liabilities - current	396	-	3,283	-
1470	Other current assets	12,820	1	6,933	-	2300	Other current liabilities	6,566	-	2,993	-
	Total current assets	<u>1,605,251</u>	<u>77</u>	<u>1,942,729</u>	<u>88</u>		Total current liabilities	<u>1,338,262</u>	<u>64</u>	<u>1,562,399</u>	<u>71</u>
15xx	Non-current assets:					25xx	Non-current liabilities:				
1600	Property, plant and equipment (Note 6(5), (7), (10), 7 and 8)	299,100	15	16,917	1	2540	Long-term borrowings (Notes 6(5) and (10) and 8)	230,340	12	-	-
1755	Right-of-use assets (Note 6(6))	9,272	-	81,877	4	2570	Deferred income tax liabilities (Note 6(14))	6,028	-	18,700	1
1760	Net investment property (Notes 6(5), (7) and 7)	128,612	6	128,731	6	2580	Lease liabilities - non-current (Note 6(11))	5,003	-	69,292	3
1780	Intangible assets (Note 6(8) and 7)	783	-	1,245	-	2640	Net defined benefit liabilities - non-current (Note 6(13))	562	-	292	-
1840	Deferred income tax assets (Note 6(14))	27,169	2	33,806	1	2645	Guarantee deposits received (Note 7)	617	-	617	-
1920	Refundable deposits	2,460	-	5,773	-		Total non-current liabilities	<u>242,550</u>	<u>12</u>	<u>88,901</u>	<u>4</u>
	Total non-current assets	<u>467,396</u>	<u>23</u>	<u>268,349</u>	<u>12</u>	2xxx	Total liabilities	<u>1,580,812</u>	<u>76</u>	<u>1,651,300</u>	<u>75</u>
						31xx	Equity attributable to the parent company (Notes 6(13), (14) and (16)):				
						3110	Common share capital	229,347	11	229,347	10
						3200	Capital reserve	248,325	12	248,325	11
						3300	Retained earnings:				
						3310	Legal reserve	11,329	1	5,472	-
						3320	Special reserve	-	-	25	-
						3350	Undistributed earnings	(506)	-	62,175	3
							Total retained earnings	10,823	1	67,672	3
						34xx	Other equity:				
						3410	Exchange differences on translation of financial statements of foreign operations	3,351	-	14,434	1
						3445	Remeasurements of defined benefit plans	(11)	-	-	-
							Total other equities	3,340	-	14,434	1
						3xxx	Total equity	<u>491,835</u>	<u>24</u>	<u>559,778</u>	<u>25</u>
1xxx	Total assets	<u>\$ 2,072,647</u>	<u>100</u>	<u>2,211,078</u>	<u>100</u>	2-3xxx	Total liabilities and equity	<u>\$ 2,072,647</u>	<u>100</u>	<u>2,211,078</u>	<u>100</u>

(Please refer to the enclosed notes to consolidated financial statements)

Chairman: Lin, Chia-Chang

Manager: Gordon Christopher Bell

Chief Accounting Officer: Hsu, Ya-Ting

Protrade Applied Materials Corp. and Subsidiaries
Consolidated statement of comprehensive income
For the years ended December 31, 2025 and 2024

Unit: NTD thousand

		2025		2024	
		Amount	%	Amount	%
4000	Operating revenue (Note 6(18))	\$ 5,871,607	100	6,070,472	100
5000	Operating costs (Note 6(4))	5,393,445	92	5,490,148	90
	Gross operating profit	478,162	8	580,324	10
6000	Operating expenses (Notes 6(2), (5), (6), (7), (11), (13), (19), 7 and 12):				
6100	Selling expense	362,683	6	362,438	6
6200	Administrative expenses	88,485	1	81,773	1
6450	Expected credit impairment loss (recovery gain)	(1,729)	-	4,168	-
	Total operating expenses	449,439	7	448,379	7
6900	Net operating income	28,723	1	131,945	3
7000	Non-operating income and expenses (Note 6), (7), (8), (11), (12), (20), 7 and 12):				
7100	Interest revenue	5,565	-	11,911	-
7010	Other income	6,179	-	3,179	-
7020	Other gains and losses	6,650	-	7,073	-
7050	Financial cost	(65,596)	(1)	(64,785)	(1)
	Total non-operating income and expenses	(47,202)	(1)	(42,622)	(1)
7900	Net income (loss) before tax	(18,479)	-	89,323	2
7950	Less: Income tax expense (Note 6(14))	3,968	-	30,753	1
8200	Net income (net loss) for this period	(22,447)	-	58,570	1
8300	Other comprehensive income:				
8310	Items not reclassified subsequently to profit or loss (Note 6(13) and (14))				
8311	Remeasurements of defined benefit plans	(14)	-	-	-
8349	Less: Income tax related to items not reclassified	(3)	-	-	-
	Total of items not reclassified to profit or loss	(11)	-	-	-
8360	Items that may be reclassified subsequently to profit or loss (Note 6(14))				
8361	Exchange differences on translation of financial statements of foreign operations	(13,854)	-	18,074	-
8399	Less: Income tax related to items that may be reclassified	(2,771)	-	3,615	-
	Total items that may be reclassified subsequently to profit or loss	(11,083)	-	14,459	-
	Total				
8300	Other comprehensive income for this period	(11,094)	-	14,459	-
8500	Total comprehensive income for the period	<u>\$ (33,541)</u>	<u>-</u>	<u>73,029</u>	<u>1</u>
	Earnings (losses) per share (Unit: NTS; Note 6 (17))				
9750	Basic earnings (losses) per share	<u>\$ (0.98)</u>		<u>2.55</u>	
9850	Diluted earnings (losses) per share	<u>\$ (0.98)</u>		<u>2.55</u>	

(Please refer to the enclosed notes to consolidated financial statements)

Chairman: Lin, Chia-Chang Manager: Gordon Christopher Bell Chief Accounting Officer: Hsu, Ya-Ting

Protrade Applied Materials Corp. and Subsidiaries
Consolidated statement of changes in equity
For the years ended December 31, 2025 and 2024

Unit: NTD thousand

	Retained earnings						Other equity items			Total equity
	Common stock capital	Capital reserve	Legal reserve	Special reserve	Undistributed earnings	Total	Exchange differences on translation of financial statements of foreign operations	Remeasurements of defined benefit plans	Total	
Balance as at January 1, 2024	\$ 229,347	248,325	3,936	-	16,633	20,569	(25)	-	(25)	498,216
Appropriation and distribution of earnings:										
Appropriation of legal reserve	-	-	1,536	-	(1,536)	-	-	-	-	-
Appropriation of special reserve	-	-	-	25	(25)	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	(11,467)	(11,467)	-	-	-	(11,467)
Net income for this period	-	-	-	-	58,570	58,570	-	-	-	58,570
Other comprehensive income for this period	-	-	-	-	-	-	14,459	-	14,459	14,459
Total comprehensive income for the period	-	-	-	-	58,570	58,570	14,459	-	14,459	73,029
Balance on December 31, 2024	229,347	248,325	5,472	25	62,175	67,672	14,434	-	14,434	559,778
Appropriation and distribution of earnings:										
Appropriation of legal reserve	-	-	5,857	-	(5,857)	-	-	-	-	-
Reversal of special reserve	-	-	-	(25)	25	-	-	-	-	-
Cash dividends on common shares	-	-	-	-	(34,402)	(34,402)	-	-	-	(34,402)
Net loss for the period	-	-	-	-	(22,447)	(22,447)	-	-	-	(22,447)
Other comprehensive income for this period	-	-	-	-	-	-	(11,083)	(11)	(11,094)	(11,094)
Total comprehensive income for the period	-	-	-	-	(22,447)	(22,447)	(11,083)	(11)	(11,094)	(33,541)
Balance on December 31, 2025	\$ 229,347	248,325	11,329	-	(506)	10,823	3,351	(11)	3,340	491,835

(Please refer to the enclosed notes to consolidated financial statements)

Chairman: Lin, Chia-Chang

Manager: Gordon Christopher Bell

Chief Accounting Officer: Hsu, Ya-Ting

Protrade Applied Materials Corp. and Subsidiaries
Consolidated statement of cash flows
For the years ended December 31, 2025 and 2024

Unit: NTD thousand

	2025	2024
Cash flows from operating activities:		
Net income (loss) before tax for this period	\$ (18,479)	89,323
Adjustments:		
Income and expenses		
Depreciation expenses	15,151	10,241
Amortization expenses	912	906
Expected credit impairment loss (recovery gain)	(1,729)	4,168
Net loss of financial assets measured at fair value through profit or loss and liabilities	43	1,037
Interest expenses	65,596	64,785
Interest revenue	(5,565)	(11,911)
Loss on disposal and scrapping of property, plant and equipment	111	122
Gains on lease modifications	(367)	(2)
Total income and expense	<u>74,152</u>	<u>69,346</u>
Changes in assets/ liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Financial assets measured at fair value through profit or loss	-	(900)
Notes receivable	8,229	(3,482)
Accounts receivable	86,444	(371,163)
Other receivables	3,022	(610)
Other receivables— related parties	(1,000)	-
Inventory	142,919	(168,019)
Prepayments	(25,940)	79,290
Other current assets	(5,887)	4,455
Total net change in assets related to operating activities	<u>207,787</u>	<u>(460,429)</u>
Net change in liabilities related to operating activities:		
Financial liabilities measured at fair value through profit or loss	(43)	-
Contract liabilities	13,680	8,323
Accounts payable	(212,664)	235,923
Other payables	(15,498)	10,599
Other payables - related parties	321	(14)
Refund liabilities	(2,887)	(124)
Other current liabilities	3,573	350
Net defined benefit liabilities	256	292
Total net changes in liabilities related to operating activities	<u>(213,262)</u>	<u>255,349</u>
Total net changes in assets and liabilities related to operating activities	<u>(5,475)</u>	<u>(205,080)</u>
Total adjustments	<u>68,677</u>	<u>(135,734)</u>
Cash inflows (outflows) from operations	50,198	(46,411)
Interest received	5,565	11,920
Income tax paid	(27,520)	(27,942)
Net cash inflows (outflows) from operating activities	<u>28,243</u>	<u>(62,433)</u>
Cash flow from investing activities:		
Acquisition of property, plant and equipment	(294,624)	(7,200)
Disposal of property, plant and equipment	-	4
Decrease in refundable deposits	3,313	3,299
Acquisition of intangible assets	(450)	(710)
Acquisition of investment property	(681)	-
Net cash outflows from investing activities	<u>(292,442)</u>	<u>(4,607)</u>
Cash flow from financing activities:		
Increase in short-term borrowings	5,868,547	1,982,284
Decrease in short-term borrowings	(5,446,965)	(1,764,131)
Taking out long-term loans	230,340	-
Increase in guarantee deposits received	-	617
Increase in other payables - related parties	-	1,207,814
Decrease in other payables - related parties	(401,441)	(1,184,304)
Repayment of lease principal	(10,537)	(8,061)
Distribution of cash dividends	(34,402)	(11,467)
Interest paid	(62,082)	(62,440)
Net cash inflows from financing activities	<u>143,460</u>	<u>160,312</u>
Effect of exchange rate changes on cash and cash equivalents	(24,915)	46,917
Increase (decrease) in cash and cash equivalents in the current period	<u>(145,654)</u>	<u>140,189</u>
Opening balance of cash and cash equivalents	<u>333,282</u>	<u>193,093</u>
Closing balance of cash and cash equivalents	<u>\$ 187,628</u>	<u>333,282</u>

(Please refer to the enclosed notes to consolidated financial statements)

Chairman: Lin, Chia-Chang Manager: Gordon Christopher Bell Chief Accounting Officer: Hsu, Ya-Ting

Protrade Applied Materials Corp. and Subsidiaries
Notes to the consolidated financial statements
2025 and 2024
(Unless otherwise stated, all amounts are in NTD thousand)

I. Company history

Protrade Applied Materials Corp. (hereinafter referred to as the "Company") was incorporated with approval by the Ministry of Economic Affairs on August 7, 2001, and was approved for public offering on June 13, 2023, and listed on the Emerging Stock Board (ESB) on November 29, 2024. The Company and subsidiaries (hereinafter referred to as "the Group") mainly engages in wholesale and international trading of petrochemical raw materials, synthetic resins, plastic raw materials and synthetic rubber.

The Company issued 13,981,000 new shares in July 2022 and acquired the shares in Protrade Asia Limited (hereinafter referred to as "PAL"), Cascadia Resources, Inc. (hereinafter referred to as "CRI"), and Dakota Co., Ltd. (hereinafter referred to as "DCL"), held by the parent company, Protrade Global Limited (hereinafter referred to as "PGL"), and thus gained control over the above companies.

II. Date and Procedures for Approval of the Financial Report

The consolidated financial statements were approved by the Board of Directors for release on March 10, 2026.

III. Application of Newly Issued and Amended Standards and Interpretations

- (I) The impact of the adoption of the new and revised standards and interpretations endorsed by the Financial Supervisory Commission (hereinafter referred to as the "FSC")

The Group has adopted the new and amended IFRSs since January 1, 2025, which did not cause a material impact on the consolidated financial statements.

- Amendment to IAS No. 21 "Lack of Convertibility"

- (II) Impacts of not adopting the IFRS endorsed by the FSC

As per the Group's assessment, the application of the newly revised IFRS that have taken effect on January 1, 2026, which will not cause a material impact on the consolidated financial statements.

- Amendments to IFRS 17 "Insurance Contracts" and IFRS 17
- Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- Annual improvements to IFRS
- Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(III) New and revised standards and interpretations not yet endorsed by the FSC

The standards and interpretations that have been issued and amended by the IASB but have not yet been approved by the FSC may be relevant to the Group as follows:

<u>New or Amended Standards</u>	<u>Main Amendments</u>	<u>Effective Date of IASB's Announcement</u>
IFRS 18 "Presentation and Disclosure in Financial Statements"	<p>The new standards introduce three categories of income and expenses, two subtotals in the income statement, and one single note on management performance measures. These three amendments and enhanced disaggregation guidance of financial statements, set the stage for better and more consistent information for users, and will affect all companies.</p> <ul style="list-style-type: none"> ·A more structured income statement: Under the current IFRS Accounting Standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standards promote a more structured income statement. It introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on the Company's main business activities. ·Management Performance Measurement (MPMs): Companies often use the new standards to explain their financial performance, and companies will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ·Greater disaggregation of information: The new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	<p>January 1, 2027</p> <p>Note: On September 25, 2025, the FSC announced in a press release that Taiwan would adopt IFRS No. 18 for the accounting year 2028. If companies need to apply the requirements early, they may do so after approval from the FSC.</p>

The Group is currently evaluating the impact of the above standards and interpretations on the Group's financial position and operating results. The relevant impact will be disclosed when the evaluation is completed.

The Group expects the following new and amendments to standards that have not yet been approved to have no significant impact on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

·IFRS No. 19 "Subsidiaries without Public Accountability: Disclosure" and amendments to IFRS No. 19

·Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"

IV. Summary of Significant Accounting Policies

A summary of the significant accounting policies adopted in the consolidated financial statements is as follows. The following accounting policies have been applied throughout the presentation period of the consolidated financial statements.

(I) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the "Preparation Standards") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission (hereinafter referred to as the "IFRSs recognized by the FSC").

(II) Basis of preparation

1. Basis of measurement

Except for net defined benefit liabilities, which are measured at the present value of the defined benefit obligation less the fair value of plan assets and the effect of the upper limit described in Note 4(15), these consolidated financial statements have been prepared on a historical cost basis.

2. Functional currency and presentation currency

The functional currency of each of the Group's entity is the currency of its primary economic environment. The consolidated financial statements are presented in the Group's functional currency, NTD. Unless otherwise specified, all financial information expressed in NTD is expressed in NTD Thousand.

(III) Basis of merger

1. The principles for the preparation of consolidated financial statements

The consolidated financial statements cover entities including the Company and its subsidiaries.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is acquired until the date on which control ceases. The profit or loss applicable to non-controlling interests of the subsidiary shall be attributable to the non-controlling interests, even if this results in a negative balance. When the Group loses control over a subsidiary, it derecognizes the assets, liabilities, and any non-controlling interest of that subsidiary at the carrying amount as of the date the control is lost. Any retained investment in the former subsidiary is recognized at its fair value on that date, and the difference is recognized in profit or loss as gain or loss attributable to the Company.

Intra-group transactions, balances and unrealized gains and losses are eliminated in preparing consolidated financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions.

2. Subsidiaries included in the consolidated financial statements

Investor	Name of subsidiary	Business type	Shareholding		Description
			2025.12.31	2024.12.31	
The Company	PAL	Trading of rubber and various rubber products	100.00 %	100.00 %	
The Company	DCL	Indirect investment	100.00 %	100.00 %	
The Company	CRI	Trading of rubber and various rubber products	100.00 %	100.00 %	

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

Investor	Name of subsidiary	Business type	Shareholding		Description
			2025.12.31	2024.12.31	
The Company	Protrade Resources Vietnam Company Limited (hereinafter referred to as PRV)	Trading of rubber and various rubber products	100.00 %	100.00 %	
DCL	Protrade (Shanghai) Trading Co., Ltd. (hereinafter referred to as PST)	Trading of rubber and various rubber products	100.00 %	100.00 %	

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

(IV) Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are converted into functional currency using the exchange rate on the transaction date. On the end date of each reporting period (hereinafter referred to as the “balance sheet date”), foreign currency monetary items are translated into the functional currency at the exchange rate prevailing on the balance sheet date.

Foreign currency non-monetary items measured at fair value are translated into the functional currency at the exchange rate prevailing on the day of measurement. Foreign currency non-monetary items measured at historical cost are translated at the exchange rate prevailing on the transaction date. Foreign currency exchange differences arising from translation are generally recognized in profit or loss.

2. Foreign operations

Assets and liabilities of foreign operations are translated into the presentation currency at the exchange rate prevailing on the balance sheet date; income and expense items are translated into the presentation currency at the average exchange rate in this period, and the resulting exchange differences are recognized in other comprehensive income.

(V) Criteria for classification of current and non-current assets and liabilities

Assets that meet one of the following criteria are classified by the Group as current assets; all other assets that are not current assets are classified as non-current assets:

1. Assets expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
2. Assets held primarily for the purpose of trading;
3. Assets expected to be realized within twelve months after the reporting period; or
4. The asset is cash or cash equivalent (as defined in IAS 7), unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Liabilities that meet one of the following criteria are classified by the Group as current liabilities; all other liabilities that are not current liabilities are classified as non-current liabilities:

1. Liabilities expected to be settled in normal operating cycle;
2. Liabilities held primarily for the purpose of trading;
3. Liabilities to be settled within 12 months after the balance sheet date; or
4. It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(VI) Cash and cash equivalents

Cash includes cash on hand, checkable deposits, demand deposits, and time deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits that meet the definition referred to above and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are recognized as cash equivalents.

(VII) Financial instruments

Accounts receivable are recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual terms of the financial instruments. Financial assets (except accounts receivables that do not contain significant financial components) or financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that comprise material financial parts shall be initially measured based on the transaction price.

1. Financial assets

If the purchase or sale of financial assets conforms to the regular way of purchase or sale, then Group shall adopt trade date accounting or settlement date accounting consistently to recognize the purchase or sale of the financial assets in the same category.

Financial assets upon initial recognition are financial assets measured at amortized cost. Financial assets are not reclassified subsequent to their initial recognition if the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

(1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The above assets are measured at initial recognition value plus or minus, and the accumulated amortization is calculated with the effective interest method. And the amortized cost of the loss allowance is adjusted before the measurement. Interest income, foreign exchange gains or losses, and impairment losses are recognized in profit or loss. During derecognition, the profit or loss is recognized in profit or loss.

(2) Impairment of financial assets

The Group's expected credit losses of financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables (including related parties), and refundable deposits, etc.) loss allowance.

Allowance for losses on notes and accounts receivable are measured at lifetime expected credit losses.

If the credit risk of cash in banks, other receivables, and guarantee deposits paid (i.e. the risk of default during the expected duration of the financial instruments)) has not increased significantly since the initial recognition, an allowance for losses on the above assets are measured at 12-month expected credit losses.

Lifetime expected credit losses refer to the expected credit losses arising from all possible default events during the expected duration of a financial instrument.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

The 12-month expected credit losses refers to the expected credit losses arising from the possible default of the financial instrument within 12 months after the reporting date (or a shorter period if the expected duration of the financial instrument is shorter than 12 months).

The maximum period over which expected credit losses are measured is the maximum contract period over which the Group is exposed to credit risk.

When determining whether the credit risk has increased significantly since the initial recognition, the Group takes into account reasonable and corroborative information (obtainable without undue cost or effort), including qualitative and quantitative information, and analyzes it based on the Group's historical experience, credit assessments, and forward-looking information.

If a contract payment is past due, the Group assumes that the credit risk of an financial asset has increased significantly.

Expected credit losses are an estimate of weighted probability of credit losses over the expected lifetime of a financial instrument. Credit losses are measured at the present value of all cash shortfalls, that is the difference between the cash flows that the Group can receive as per the contract and the cash flows that the Group expects to receive. Expected credit losses are discounted at the effective interest rate on the financial asset.

Impairment provision for financial assets measured at amortized cost are deducted from the carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. However, financial assets that have been written off are still enforceable to be aligned with the Company's procedures for recovering overdue amounts.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset are terminated, or when the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to another party.

2. Financial liabilities and equity instruments

(1) Equity transactions

Equity instrument refers to any contract that demonstrates the Group's remaining interest in assets less all of its liabilities. Equity instruments issued by the Group are recognized at the acquisition price less direct issue costs.

(2) Financial liabilities

Financial liabilities are classified as amortized cost or measured at fair value through profit or loss. Financial liabilities are classified as at fair value through profit or loss if they are held for trading, derivatives, or designated upon initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and relevant net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and exchange gains or losses are recognized in profit or loss. Any profit or loss is recognized in profit or loss at the time of derecognition.

(3) Derecognition of financial liabilities

The Group derecognizes financial liabilities when contractual obligations have been fulfilled, cancelled, or expired. When the terms of financial liabilities are revised and the cash flow of the revised liabilities is significantly different, the initial financial liabilities are derecognized, and new financial liabilities are recognized at fair value as per the revised terms.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

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

(4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and presented in a net amount on the balance sheet only when the Group has legally enforceable rights to offset financial assets and financial liabilities and intends to settle on a net basis or to realize assets and settle liabilities simultaneously.

3. Derivative financial instruments

The Group holds financial derivatives to hedge the exposure to the foreign currency and interest rate risks. Embedded derivatives are treated separately from the host contract thereof when they meet certain criteria and the host contract thereof is not a financial asset.

Derivatives are measured at fair value upon initial recognition; subsequently, they are measured at fair value, with the gain or loss from re-measurement directly recognized in profit or loss.

(VIII) Inventory

Inventories are measured at the lower of cost or net realizable value. Cost includes the necessary expenses incurred to make it available for sale and in the location where it is available for sale and is calculated in accordance with the weighted average method. The net realizable value is the estimated selling price under normal operations less the estimated costs to be invested and selling expenses.

(IX) Investment property

Investment property refers to property held to earn rentals or for capital appreciation, or both, rather than for sale in the ordinary course of business, or use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at its cost, subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation method, useful life and residual value complies with the requirements for property, plant and equipment.

The gain or loss on disposal of investment property (calculated as the difference between the net disposal proceeds and carrying amount) shall be recognized in profit or loss.

Rental income from investment property is recognized as non-operating revenue on a straight-line basis over the term of the lease. The lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(X) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost, less accumulated depreciation and any accumulated impairment.

When the useful lives of material components of property, plant and equipment are different, they are treated as separate items of property, plant and equipment.

Gain or loss on disposal of property, plant and equipment is recognized in profit or loss.

2. Subsequent costs

Subsequent expenditures are capitalized only when it is probable that the future economic benefits will flow to the Group.

3. Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

(1) Buildings	45 - 50 years
(2) Improvements to buildings and structures	10 years
(3) Office equipment	3 - 8 years
(4) Communication and computer equipment	3 - 5 years
(5) Leasehold improvements	2 - 10 years

The Group shall review the depreciation method, useful life and residual value at lease on each annual reporting date. If the expected value is different from the previous estimate, it shall be adjusted when necessary.

4. Reclassified to investment property

For the change in use of self-used property to investment property, the property shall be reclassified as investment property based on the carrying amount where there is an evidenced change in use.

(XI) Lease

The Group assesses whether a contract is or contains a lease on the date of the establishment of the contract and determines a contract is or contains a lease if the contract transfers control over the use of the identified asset for a period of time in exchange for consideration.

1. Lessee

The Group recognizes the right-of-use asset and lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, which includes the initially measured amount of the lease liability, adjusted for any lease payments paid on or before the lease commencement date, plus the initial direct costs incurred and the estimated costs for dismantling, removing the asset, or restoring its location or the asset, and less any lease incentives received.

The right-of-use asset is subsequently depreciated on a straight-line basis from the lease commencement date to the end of the useful life of the right-of-use asset or the end of the lease term, whichever is earlier. In addition, the Group regularly assesses whether the right-of-use asset is impaired and accounts for any impairment loss that has occurred, and adjusts the right-of-use asset if the lease liability is remeasured.

The lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. If the interest rate implicit in a lease is easy to be determined, the discount rate is said rate; if it is not easy to determine such a rate, the Company's incremental borrowing rate is adopted. Generally speaking, the Group adopts its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (1) Fixed payments, including substantive fixed payments;
- (2) For the variable lease payment depending on a certain index or rate, the index or the rate on the lease commencement date is used as the initial measurement;
- (3) The residual value guarantee amount expected to be paid; and
- (4) Payments for purchase or termination options that are reasonably certain to be exercised.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

Interest on lease liabilities is subsequently accrued using the effective interest method, and the amount is re-measured under each of the circumstances below:

- (1) Changes in the index or rate used to determine lease payments result in changes in future lease payments;
- (2) Changes in the residual value guarantee amount expected to be paid;
- (3) Changes in the evaluation of the underlying asset purchase option;
- (4) Change of its assessment on whether it will exercise an extension or termination option;
- (5) A change to the subject, scope, or other terms and conditions of a lease.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For lease modifications with a reduced scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between said amount and the remeasured amount of the lease liability is recognized in profit or loss.

For the short-term lease of offices, dormitories and warehousing locations, the Group chooses not to recognize the right-of-use assets and lease liabilities. The lease payments associated with those leases are recognized as expenses on a straight-line basis over the lease term.

2. Lessor

As lessor, the Group continue to account for leases as either operating or finance leases depending on whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee on the lease commencement date. During the assessment, the Group takes into account specific indicators, such as whether the lease term covers the majority of the economic life of the underlying asset. For the operating lease, the lease payments received are recognized as rental income on a straight-line basis over the lease term.

(XII) Intangible assets

1. Computer software

The computer software systems acquired by the Group are measured at cost, less accumulated amortization and accumulated impairment.

2. Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

3. Amortization

Amortization is calculated over the cost of the asset less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Intangible assets are amortized using the straight-line method over the estimated useful life of 3 to 5 years from the state available for use, and the amortization amount is recognized in profit or loss.

The Group reviews the amortization method, useful life, and residual value of intangible assets on each balance sheet date, and any change shall be regarded as a change in accounting estimate.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(XIII) Impairment of non-financial assets

Except for inventories and deferred income tax assets, the Group assesses whether there is any indication that the carrying amount of non-financial assets may be impaired at each reporting date. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment testing aims at the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount is the higher of the individual asset or the fair value of the cash-generating unit less cost of disposal and its value in use. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. When the recoverable amount of an asset or cash-generating unit is lower than the carrying amount thereof, the carrying amount of the asset or the cash-generating unit is adjusted to reduce it to the recoverable amount and recognized as an impairment loss,

Impairment losses are recognized immediately in profit or loss.

(XIV) Revenue recognition

Revenue is measured as the consideration to which the transfer of goods is expected to be entitled. The Group recognizes revenue when the control over goods is transferred to customers and its performance obligations are fulfilled. The transfer of control over products means that the products have been delivered to customers, who can then fully determine the sales channels and prices of the products, without any outstanding obligations that will affect customers' acceptance of the products. Delivery occurs when a product has been shipped to a specific location with its risk of obsolescence losses passed to the customer, and the customer has accepted the product in accordance with the sales contract; the acceptance clause has become invalid, or the Group has objective evidence that all acceptance criteria have been met.

(XV) Employee benefits

1. Defined contribution plans

The contribution obligation of the defined contribution pension plan is recognized as an expense within the service period of the employee.

2. Defined benefit plan

The Group's net obligation under the defined benefit plan is converted into cash based on the future benefit earned from the services provided by the employees in the current period or in the past under each benefit plan, and deducting the fair value of plan assets.

The defined benefit obligation is actuarially calculated annually by a qualified actuary using the projected unit credit method. When the calculation result are favorable to the Group, the assets recognized are limited to the present value of any economic benefit obtained in the form of refund from the plan or the reduction in future contributions to the plan. When calculating the present value of economic benefits, any minimum funding requirements are taken into account.

Any remeasurement of the net defined benefit liability, including actuarial gains and losses, return on plan assets (excluding interest), and any changes in the asset cap effect (excluding interest), is recognized immediately in other comprehensive income and transferred to other equity in the current period. The net interest expense (income) of the net defined benefit liability (asset) is determined by using the net defined benefit liability (asset) and discount rate at the beginning of the reporting period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

When the plan is amended or reduced, the changes in benefits related to prior service costs or reduced benefits or losses are recognized immediately in profit or loss. The Group recognizes the settlement gain or loss of the defined benefit plan at the time of settlement.

3. Short-term employee benefits

Short-term employee benefits are recognized as expenses when the relevant services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(XVI) Income tax

Income taxes include current income and deferred taxes. Current income tax and deferred tax are recognized in profit or loss, except in relation to business combinations or items directly recognized in equity or other comprehensive income.

The Company determines that the interest or penalties related to the income taxes (including uncertain tax positions) does not meet the definition of the income taxes, and, therefore, are accounted for in accordance with International Accounting Standard (IAS) 37.

The Group determines that the additional tax payable under the Global Minimum Tax – Pillar 2 falls within the scope of IAS 12 “Income Tax”, and has applied the temporary compulsory exemption for deferred income tax accounting, and the actual additional tax incurred is recognized as the current income tax.

Current income tax includes the expected income tax payable or tax refund receivable based on the taxable income (loss) for the year and any adjustments to income tax payables or tax refund receivables for prior years. The amount, after reflecting the uncertainty related to income taxes (if any), is the best estimate of the amount expected to be paid or received at the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

1. Assets or liabilities originally recognized in a transaction that is not a business merger, and at the time of the transaction (i) does not affect accounting profits and taxable income (loss) and (ii) does not generate equivalent taxable and deductible temporary difference;
2. Temporary differences arising from investments in subsidiaries, of which the Company can control the time point of reversal of the temporary differences and it is highly probable that it will not be reversed in the foreseeable future.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

1. Has the legally enforceable right to offset current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxable entities levied by the same taxation authority:
 - (1) the same taxable entity; or

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(XVII) Government grants

When the Group is entitled to related government grants, the unconditionally subsidies are recognized as other income.

(XVIII) Earnings per share

The Company presents basic and diluted earnings per share attributable to holders of the Company's common shares. The Group's basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of the ordinary shares by the weighted average number of common shares outstanding in the current period. Diluted earnings per share are calculated by having the profit or loss attributable to the equity holders of the Company's ordinary shares and the weighted average number of ordinary shares outstanding adjusted for the effect of all potentially dilutive common shares. The Group's potential dilutive ordinary shares include an estimate of employee remuneration.

(XIX) Segment Information

The operating segments are the parts that form the Group and engage in the business activities that may earn income and incur expenses (including income and expenses related to transactions between other parts of the Group). All operating departments' operating performance is regularly reviewed by the Group's chief operating decision-maker to make decisions on allocating resources to the segments and evaluate their performance. Each operating segment has its own financial data.

V. Key Sources of Uncertainties over Critical Accounting Judgments, Assumptions and Estimates

In preparing the consolidated financial statements in accordance with the IFRS approved by the FSC, the management must make judgments and estimates regarding the future (including climate-related risks and opportunities), which will affect the adoption of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from estimates.

The management continuously review the estimates and basic assumptions, which are consistent with the Group's risk management and climate-related commitments. Changes in the estimates are deferred and recognized over the adjustment period and the affected future periods.

The Group has no accounting policies which involve critical judgments with a material impact on the amounts recognized in the consolidated financial statements.

Of the uncertainties about assumptions and estimates, a significant risk that a major adjustment will be made in the following year arises from the valuation of inventories. As inventories should be measured at the lower of cost or net realizable value, considering normal wear and tear, obsolescence, or no market selling value on the balance sheet date, the Company wrote down the cost of inventories to the net realizable value. The inventories are valued mainly based on the product demand during a specific period in the future, so there may be significant changes due to rapid changes in the industry. Please refer to Note 6(4) for the details of inventory valuation.

VI. Explanation of Significant Accounts

(I) Cash and cash equivalents

	<u>2025.12.31</u>	<u>2024.12.31</u>
Cash	\$ 89	90
Checkable deposits and demand deposits	140,310	330,897
Time deposits due within three months	<u>47,229</u>	<u>2,295</u>
Cash and cash equivalents	<u>\$ 187,628</u>	<u>333,282</u>

Please refer to Note 6(21) for the details of the interest rate risk to the Group's financial assets and liabilities.

(II) Notes and accounts receivable

	<u>2025.12.31</u>	<u>2024.12.31</u>
Notes receivable	\$ 208	8,437
Accounts receivable	743,665	831,128
Less: Loss allowance	<u>(21,521)</u>	<u>(42,925)</u>
	<u>\$ 722,352</u>	<u>796,640</u>

The Group's notes and accounts receivable are not discounted or provided as collateral.

The Group adopts a simplified approach to estimate expected credit losses for all notes and accounts receivables, measured at lifetime expected credit losses. To this end, such notes and accounts receivables are grouped by common credit risk characteristics that represent a customer's ability to pay all amounts due as per the contract terms with forward-looking information incorporated, including macro-economic and relevant industry information. According to the Group's historical experience in credit loss, there is no significant difference in the patterns of loss from different groups of clients, so the provision matrix prepared did not further group clients.

The expected credit losses of notes and accounts receivable of the Group as of December 31, 2025 and 2024 are analyzed as follows:

	<u>2025.12.31</u>		
	<u>Carrying amounts of notes and accounts receivable</u>	<u>Weighted average expected credit loss (%)</u>	<u>Allowance for lifetime expected credit losses</u>
Not past due	\$ 550,168	0.23~0.59	1,931
Past due for 1-30 days	146,385	1.51~4.78	2,335
Past due for 31-60 days	29,194	4.94~15.25	1,756
Past due for 61-90 days	3,225	18.54	598
Past due for 91 days or more	<u>377</u>	100.00	<u>377</u>
	<u>\$ 729,349</u>		<u>6,997</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

The above carrying amounts of notes receivable and accounts receivable do not include the Group's accounts receivable from specific customers, which amounted to NT\$14,524 thousand (CNY 3,231), which are assessed by the Group as having a higher risk of default, and for which the full amount has been provided for expected credit losses. For the aforementioned accounts receivable, the Group has purchased credit insurance, and the claims reimbursement of approximately 80% to 90% of the accounts receivable. The Group assesses that if a credit loss occurs, compensation will be received. Therefore, when recognizing the relevant expected credit losses, the Group also recognized the compensation right asset and the compensation right benefit, which are recorded under other receivables and as a reduction of expected credit losses, respectively.

	2024.12.31		
	Carrying amounts of notes and accounts receivable	Weighted average expected credit loss (%)	Allowance for lifetime expected credit losses
Not past due	\$ 597,216	0.00~0.77	1,472
Past due for 1–30 days	183,134	0.00~2.21	2,725
Past due for 31–60 days	15,836	2.80~8.98	1,285
Past due for 61–90 days	1,968	26.60	523
Past due for one year or more	130	100.00	130
	<u>\$ 798,284</u>		<u>6,135</u>

The carrying amounts of the above-mentioned notes receivables and accounts receivables do not include the accounts receivable from the Group's specific customers, totaling NT\$41,281 thousand (NT\$15,668 thousand, RMB\$5,618 thousand and USD\$12 thousand) given that the Group assessed these customers as having a higher risk of default. Except for the recovered amount of NT\$4,491 thousand (RMB\$1,000 thousand) on February 10, 2025, the remaining accounts receivables of NT\$36,790 thousand have been fully provided for as expected credit losses. For the aforementioned accounts receivable, the Group has purchased credit insurance, and the claims reimbursement of approximately 80% to 90% of the accounts receivable. The Group assesses that if a credit loss occurs, compensation will be received. Therefore, when recognizing the relevant expected credit losses, the Group also recognized the compensation right asset and the compensation right benefit, respectively, which are recorded under other receivables and as a reduction of expected credit losses, respectively.

The changes in allowances for losses on the Group's notes and accounts receivable are as follows:

	2025	2024
Opening balance	\$ 42,925	7,013
Reversal collected for the period	(26,225)	-
Recognized impairment loss	5,840	35,632
The irrecoverable amount written off in the current year	(693)	-
Impact on foreign exchange rate	(326)	280
Closing balance	<u>\$ 21,521</u>	<u>42,925</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

The Group's statement of changes in compensatory right assets is as follows:

	<u>2025</u>	<u>2024</u>
Opening balance	\$ 31,494	-
Current provision	7,569	31,464
Reversal collected for the period	(26,225)	-
Impact on foreign exchange rate	(373)	30
Closing balance	<u>\$ 12,465</u>	<u>31,494</u>

None of the above financial assets were provided as collateral.

(III) Other receivables

	<u>2025.12.31</u>	<u>2024.12.31</u>
Other receivables	\$ 12,834	34,512
Other receivables — related parties	1,000	-
Less: Loss allowance	-	-
	<u>\$ 13,834</u>	<u>34,512</u>

The other receivables of the Group as of December 31, 2025 and 2024 were not past due.

Please refer to Note 6 (21) for the information on other credit risks.

(IV) Inventory

The inventory details are as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Merchandise inventory	\$ 528,748	675,297
Inventory in transit	3,630	-
Total	<u>\$ 532,378</u>	<u>675,297</u>

The costs of sales recognized for this period are as follows:

	<u>2025</u>	<u>2024</u>
Cost of inventories sold	\$ 5,384,150	5,505,761
Inventory valuation losses (gains on inventory value recovery)	8,670	(16,480)
Inventory loss	625	867
	<u>\$ 5,393,445</u>	<u>5,490,148</u>

As of December 31, 2025 and 2024, the Group's inventories had not been provided as collateral.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(V) Property, plant and equipment

The details of the changes in the cost, depreciation and impairment loss of the Group's property, plant and equipment as of 2025 and 2024 are as follows:

	Land	Buildings	Improvements to buildings and structures	Office equipment	Communication and computer equipment	Leasehold improvements	Total
Costs or costs recognized:							
Balance on January 1, 2025	\$ -	-	-	6,706	2,154	13,413	22,273
Addition	168,039	117,536	-	661	67	131	286,434
Reclassified	-	-	12,543	-	-	(12,543)	-
Disposal of	-	-	-	(1,387)	(420)	(537)	(2,344)
Impact of changes in foreign exchange rate	-	-	-	(89)	(20)	(73)	(182)
Balance on December 31, 2025	<u>\$ 168,039</u>	<u>117,536</u>	<u>12,543</u>	<u>5,891</u>	<u>1,781</u>	<u>391</u>	<u>306,181</u>
Balance on January 1, 2024	\$ 103,223	36,454	-	5,353	3,970	543	149,543
Addition	-	-	-	2,461	233	12,833	15,527
Reclassification (Note)	(103,223)	(35,644)	-	-	-	-	(138,867)
Disposal of	-	(810)	-	(1,228)	(2,216)	-	(4,254)
Impact of changes in foreign exchange rate	-	-	-	120	167	37	324
Balance on December 31, 2024	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>6,706</u>	<u>2,154</u>	<u>13,413</u>	<u>22,273</u>
Depreciation and impairment loss:							
Balance on January 1, 2025	\$ -	-	-	3,039	1,738	579	5,356
Depreciation for the current year	-	768	425	1,623	128	1,137	4,081
Reclassified	-	-	957	-	-	(957)	-
Disposal of	-	-	-	(1,298)	(398)	(537)	(2,233)
Impact of changes in foreign exchange rate	-	-	-	(69)	(15)	(39)	(123)
Balance on December 31, 2025	<u>\$ -</u>	<u>768</u>	<u>1,382</u>	<u>3,295</u>	<u>1,453</u>	<u>183</u>	<u>7,081</u>
Balance on January 1, 2024	\$ -	10,182	-	3,157	3,456	226	17,021
Depreciation for the current year	-	704	-	1,031	240	334	2,309
Reclassification (Note)	-	(10,076)	-	-	-	-	(10,076)
Disposal of	-	(810)	-	(1,216)	(2,102)	-	(4,128)
Impact of changes in foreign exchange rate	-	-	-	67	144	19	230
Balance on December 31, 2024	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>3,039</u>	<u>1,738</u>	<u>579</u>	<u>5,356</u>
Book value:							
Balance on December 31, 2025	<u>\$ 168,039</u>	<u>116,768</u>	<u>11,161</u>	<u>2,596</u>	<u>328</u>	<u>208</u>	<u>299,100</u>
Balance on December 31, 2024	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>3,667</u>	<u>416</u>	<u>12,834</u>	<u>16,917</u>

Note: Reclassified to investment property.

Please refer to Note 8 for the provision of collaterals for the Group's property, plant and equipment as collateral as of December 31, 2025; there was no such provision as of December 31, 2024.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(VI) Right-of-use assets

The details of the changes in costs, depreciation and impairment loss of the buildings leased by the Group are as follows:

	<u>Buildings</u>
Cost of right-of-use assets:	
Balance on January 1, 2025	\$ 104,773
Addition	5,496
Disposal (early contract termination)	(91,098)
Impact of changes in foreign exchange rate	<u>(1,210)</u>
Balance on December 31, 2025	<u>\$ 17,961</u>
Balance on January 1, 2024	\$ 32,204
Addition	71,726
Disposal (early contract termination)	(672)
Impact of changes in foreign exchange rate	<u>1,515</u>
Balance on December 31, 2024	<u>\$ 104,773</u>
Depreciation and impairment loss of right-of-use assets:	
Balance on January 1, 2025	\$ 22,896
Depreciation during this period	10,270
Disposal (early contract termination)	(23,555)
Impact of changes in foreign exchange rate	<u>(922)</u>
Balance on December 31, 2025	<u>\$ 8,689</u>
Balance on January 1, 2024	\$ 14,915
Depreciation during this period	7,872
Disposal (early contract termination)	(618)
Impact of changes in foreign exchange rate	<u>727</u>
Balance on December 31, 2024	<u>\$ 22,896</u>
Book value:	
Balance on December 31, 2025	<u>\$ 9,272</u>
Balance on December 31, 2024	<u>\$ 81,877</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(VII) Investment property

Investment property refers to the office building leased to other related parties by the Group as rental income over a period of ten years. The details of the changes in the cost, depreciation and impairment loss of the Group's investment property as of 2025 and 2024 are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Costs or costs recognized:			
Balance on January 1, 2025	\$ 103,223	35,644	138,867
Addition	-	681	681
Balance on December 31, 2025	<u>\$ 103,223</u>	<u>36,325</u>	<u>139,548</u>
Balance on January 1, 2024	\$ -	-	-
Reclassified (Note)	103,223	35,644	138,867
Balance on December 31, 2024	<u>\$ 103,223</u>	<u>35,644</u>	<u>138,867</u>
Depreciation and impairment loss:			
Balance on January 1, 2025	\$ -	10,136	10,136
Depreciation during this period	-	800	800
Balance on December 31, 2025	<u>\$ -</u>	<u>10,936</u>	<u>10,936</u>
Balance on January 1, 2024	\$ -	-	-
Depreciation during this period	-	60	60
Reclassified (Note)	-	10,076	10,076
Balance on December 31, 2024	<u>\$ -</u>	<u>10,136</u>	<u>10,136</u>
Carrying amount:			
Balance on December 31, 2025	<u>\$ 103,223</u>	<u>25,389</u>	<u>128,612</u>
Balance on December 31, 2024	<u>\$ 103,223</u>	<u>25,508</u>	<u>128,731</u>
Fair value:			
Balance on December 31, 2025			<u>\$ 219,068</u>
Balance on December 31, 2024			<u>\$ 218,243</u>

Note: Transferred from property, plant and equipment

The fair values of the Group's investment properties as of December 31, 2025 and 2024 were determined based on the Group's valuation referencing market evidence of similar property transaction prices.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(VIII) Intangible assets

The details of the cost, amortization, and impairment loss of the Group's intangible assets for 2025 and 2024 are as follows:

	<u>Computer software</u>
Cost:	
Balance on January 1, 2025	\$ 4,271
Addition	450
Disposal of	<u>(2,262)</u>
Balance on December 31, 2025	<u>\$ 2,459</u>
Balance on January 1, 2024	\$ 3,561
Addition	<u>710</u>
Balance on December 31, 2024	<u>\$ 4,271</u>
Accumulated amortization:	
Balance on January 1, 2025	\$ 3,026
Amortization for the period	912
Disposal of	<u>(2,262)</u>
Balance on December 31, 2025	<u>\$ 1,676</u>
Balance on January 1, 2024	\$ 2,120
Amortization for the period	<u>906</u>
Balance on December 31, 2024	<u>\$ 3,026</u>
Carrying amount:	
Balance on December 31, 2025	<u>\$ 783</u>
Balance on December 31, 2024	<u>\$ 1,245</u>

(IX) Short-term borrowings

The details of the Group's short-term borrowings are as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Unsecured bank borrowings	<u>\$ 1,093,733</u>	<u>670,498</u>
Unused credit limit	<u>\$ 1,818,179</u>	<u>1,925,971</u>
Interest rate range (%)	<u>2.08~5.77</u>	<u>3.90~6.75</u>

1. Please refer to Note 9 for the guaranteed promissory notes issued by the Group due to the amount of borrowings.
2. The Group has not provided assets as collateral for short-term borrowings.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(X) Long-term borrowings

The details of the Group's long-term borrowings are as follows:

	<u>2025.12.31</u>		
	<u>Interest rate range (%)</u>	<u>Due date</u>	<u>Amount</u>
Secured bank borrowings	1.90	124.8.15	\$ 230,340
Less: Current portion			<u>-</u>
Total			<u>\$ 230,340</u>
Unused credit limit			<u>\$ -</u>

There was no such situation as of December 31, 2024.

Please refer to Note 8 for the details of the assets provided by the Group as collateral for long-term borrowings.

(XI) Lease liabilities

The carrying amount of the Group's lease liabilities is as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Current	\$ 4,620	13,625
Non-current	<u>5,003</u>	<u>69,292</u>
Total	<u>\$ 9,623</u>	<u>82,917</u>

Please refer to Note 6(21) "Financial instruments" for maturity analysis.

The amount of lease recognized in profit or loss is as follows:

	<u>2025</u>	<u>2024</u>
Interest expense of lease liabilities	<u>\$ 1,082</u>	<u>654</u>
Variable lease payments not included in the measurement of the lease liabilities	<u>\$ 53,868</u>	<u>36,757</u>
Expenses of short-term leases	<u>\$ 2,246</u>	<u>2,215</u>

Amounts recognized in the statements of cash flows are as follows:

	<u>2025</u>	<u>2024</u>
Total cash outflows from operating activities	\$ 56,114	38,972
Total cash outflows from financing activities - lease principal	10,537	8,061
Total cash outflows from financing activities - interest expenses	<u>1,082</u>	<u>654</u>
Total cash outflows from leases	<u>\$ 67,733</u>	<u>47,687</u>

The Group leased buildings as offices, employee dormitories and warehousing locations on December 31, 2025 and 2024. The lease terms are usually one to ten years.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

The payments for some warehouses as per the lease contracts are calculated based on the actual area used per month. The variable rents paid by the Group in 2025 for these contracts are as follows:

	<u>Variable payment</u>	<u>Estimated effect on rents for every 1% increase in the area used</u>
Lease contracts under which variable payments were calculated based on the actual area used	<u>\$ 53,868</u>	<u>539</u>

In addition, the Group leases some offices, dormitories and storage locations for a period of one year. These leases are short-term leases. The Group chooses to be exempted from the recognition rules but does not recognize its related right-of-use assets and lease liabilities.

(XII) Operating lease

The Group leases out its investment properties. As substantially all the risks and rewards incidental to ownership of the underlying assets, the lease contracts are classified as operating leases. Please refer to Note 6(7) Investment property.

The maturity analysis of lease payments is based on the total amount of lease payments that will be collected after the reporting date, as shown in the following table:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Less than one year	\$ 2,955	2,955
1-2 years	3,523	3,523
2-3 years	3,523	3,523
3-4 years	3,553	3,523
4-5 years	3,876	3,553
Five years or more	<u>15,180</u>	<u>19,056</u>
Total undiscounted lease payments	<u>\$ 32,610</u>	<u>36,133</u>

The rent income generated from investment properties for 2025 and 2024 was NT\$2,965 thousand and NT\$19 thousand, respectively.

(XIII) Employee benefits

1. Defined benefit plan

The present value of the Group's defined benefit obligation and fair value of plan assets are adjusted as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Present value of defined benefit obligation	\$ 613	294
Fair value of plan assets	<u>(51)</u>	<u>(2)</u>
Net defined benefit liabilities	<u>\$ 562</u>	<u>292</u>

The Group's defined benefit plan is allocated to the labor pension reserve account at the Bank of Taiwan. The pension paid to each employee under the Labor Standards Act is calculated based on the year of service and six month's average salary prior to retirement.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(1) Composition of plan assets

The pension fund appropriated by the Group in accordance with the Labor Standards Act is managed by the Bureau Of Labor Funds, Ministry Of Labor (hereinafter referred to as the Bureau Of Labor Funds). According to the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the minimum annual distributable income shall be no less than the income calculated based on the two-year fixed deposit interest rate of local banks.

On December 31, 2025, the Group's pension reserve account at the Bank of Taiwan and employee pension account at the Bank of Taiwan totaled NT\$ 47 thousand. For information on the utilization of Labor Pension Fund assets, including the fund performance and asset allocation, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

(2) Changes in the present value of defined benefit obligation

Changes in present value of the Group's defined benefit obligation are as follows:

	<u>2025</u>	<u>2024</u>
Defined benefit obligation on January 1	\$ 294	-
Service cost and interest for this period	305	294
- Actuarial gains and losses from experience adjustments	(34)	-
- Actuarial gains and losses arising from changes in financial assumptions	48	-
Defined benefit obligation on December 31	<u>\$ 613</u>	<u>294</u>

(3) Changes in fair value of plan assets

Changes in fair value of plan assets of the Group's defined benefit plan are as follows:

	<u>2025</u>	<u>2024</u>
Fair value of plan assets on January 1	\$ 2	-
Amount allocated to the plan	49	2
Fair value of plan assets on December 31	<u>\$ 51</u>	<u>2</u>

(4) Expenses recognized in profit or loss

The Group's expenses recognized in 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Service cost for this period	<u>\$ 305</u>	<u>294</u>

(5) Re-measurement of net defined benefit liabilities recognized in other comprehensive income

The remeasurements of the net defined benefit liabilities recognized by the Group in other comprehensive income is as follows:

	<u>2025</u>	<u>2024</u>
Accumulated balance as of January 1	\$ -	-
Recognized in the period	(14)	-
Accumulated balance as of December 31	<u>\$ (14)</u>	<u>-</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(6) Actuarial assumptions

The Group's material actuarial assumptions for determining the present value of the defined benefit obligation on the balance sheet date are as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Discount rate	2.000 %	2.375 %
Future salary increase	3.000 %	3.000 %

The Group plans to allocate NT\$46 thousand to the defined benefit plan within one year after December 31, 2025. The weighted average duration of the defined benefit plan is 23 years.

(7) Sensitivity analysis

The impact of changes in the key actuarial assumptions on the present value of defined benefit obligation on December 31, 2025 and 2024 is as follows:

	<u>Impact on defined benefit obligations</u>	
	<u>0.25% increase</u>	<u>0.25% decrease</u>
December 31, 2025		
Discount rate	(32)	35
Future salary increase	35	(32)
December 31, 2024		
Discount rate	(27)	24
Future salary increase	24	(27)

The above sensitivity analysis analyzes the impact of changes in an individual assumption, assuming that all other assumptions remain unchanged. In practice, many changes in assumptions may be interrelated. The sensitivity analysis is consistent with the methodology used to calculate the net pension liabilities recognized in the balance sheet.

2. Defined contribution plans

As per the Labor Pension Act, the Group makes a contribution equal to 6% of each employee's monthly salary to employees' individual pension accounts under the Bureau of Labor Insurance for the defined contribution plan. Under this plan, after appropriating a fixed amount to the Bureau of Labor Insurance, the Group has no legal or constructive obligation to make additional payments.

The Group's pension expenses under the 2025 and 2024 defined contribution plan were NT\$2,426 thousand and NT\$2,352 thousand, respectively, and the amount had been appropriated to the Bureau of Labor Insurance.

The pension expenses of the Group's subsidiaries under the local law were NT\$4,419 thousand and NT\$4,172 thousand, respectively in 2025 and 2024.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(XIV) Income tax

1. The details of the Group's income tax expenses (profits) in 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Current income tax expenses (profits)		
Incurred in the current period	\$ 4,187	34,334
Adjustment to the income tax for the prior period	3,084	356
Imposition on undistributed earnings	-	3
	<u>7,271</u>	<u>34,693</u>
Deferred income tax expenses (profits)		
Occurrence and reversal of temporary difference	<u>(3,303)</u>	<u>(3,940)</u>
Income tax expense	<u>\$ 3,968</u>	<u>30,753</u>

The details of the Group's income tax expenses (profits) recognized in other comprehensive income in 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Items not reclassified to profit or loss:		
Remeasurements of defined benefit plans	<u>\$ (3)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	<u>\$ (2,771)</u>	<u>3,615</u>

The Group's income tax expenses (profits) and net income (losses) before tax in 2025 and 2024 are adjusted as follows:

	<u>2025</u>	<u>2024</u>
Net income (loss) before tax	<u>\$ (18,479)</u>	<u>89,323</u>
Net income before tax calculated based on the domestic income tax rate where each of the subsidiary is located	\$ (11,179)	22,192
Non-deductible expenses	207	299
Overestimated/ underestimated deferred income tax assets and liabilities in the prior period	(8)	(245)
Previous period income tax adjustment	3,084	356
Imposition on undistributed earnings	-	3
Current tax loss of unrecognized deferred tax assets	3,932	8,148
Reversed tax loss from recognized deferred tax assets	<u>7,932</u>	<u>-</u>
Total	<u>\$ 3,968</u>	<u>30,753</u>

2. Deferred income tax assets and liabilities

(1) Taxable temporary differences of unrecognized deferred income tax liabilities

Before the Group's organizational restructuring, the temporary differences related to the invested subsidiaries were not recognized as deferred income tax liabilities as the Group could control the time of reversal of the temporary differences and was certain that the temporary differences would not reverse in the foreseeable future. However, after organizational restructuring, the Group considered the future capital plan and the Group's development strategy, and assessed that the temporary differences related to the investment in subsidiaries may be reversed in the foreseeable future. The temporary differences related to the subsidiaries are recognized as deferred income tax assets or liabilities since 2022. On December 31, 2025 and 2024, the temporary differences of the unrecognized deferred income tax liabilities before the organizational restructure totaled NTD 172,885 thousand.

(2) The deductible temporary difference and tax loss of unrecognized deferred tax assets

The items not recognized as deferred tax assets by the Group are as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Tax loss	<u>\$ 84,412</u>	<u>39,740</u>

According to PRC's Enterprises Income Tax Law, the tax losses incurred by PST, a subsidiary of the Group, may be carried forward to offset the taxable income in subsequent years; however, the maximum duration for loss carry-forward is 5 consecutive years. The tax loss as mentioned above is not recognized as deferred tax assets as it is unlikely for PST to have sufficient taxable income in the future for the temporary differences.

As of December 31, 2025, the tax loss not yet recognized by the Group as deferred income tax assets and its last year eligible for deduction are as follows:

<u>Year of loss</u>	<u>Losses yet to be deducted</u>	<u>Last year eligible for deduction</u>
2022	\$ 7,301	2027
2023	32,010	2028
2024	29,235	2029
2025	<u>15,866</u>	2030
	<u>\$ 84,412</u>	

(3) Recognized deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities in 2025 and 2024 are as follows:

Deferred income tax assets:

	<u>Allowance for bad debts</u>	<u>Allowance for inventory valuation losses</u>	<u>Lease liabilities</u>	<u>Inventory cost variance</u>	<u>Loss carryforwards</u>	<u>Investment losses under the equity method</u>	<u>Others</u>	<u>Total</u>
January 1, 2025	\$ 8,095	3,639	2,842	1,183	7,994	-	10,053	33,806
Recognized in profit (loss)	(3,824)	1,870	(589)	380	(2,360)	2,698	(4,623)	(6,448)
Recognized in other comprehensive income (loss)	-	-	-	-	-	-	3	3
Impact on foreign exchange rate	18	(126)	(119)	5	740	-	(710)	(192)
December 31, 2025	<u>\$ 4,289</u>	<u>5,383</u>	<u>2,134</u>	<u>1,568</u>	<u>6,374</u>	<u>2,698</u>	<u>4,723</u>	<u>27,169</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

	Allowance for bad debts	Allowance for inventory valuation losses	Lease liabilities	Inventory cost variance	Loss carryforwards	Investment losses under the equity method	Others	Total
January 1, 2024	\$ 1,055	6,554	4,283	1,790	7,871	-	2,562	24,115
Recognized in profit (loss)	7,018	(3,167)	(1,654)	(720)	(173)	-	7,385	8,689
Recognized in other comprehensive income (loss)	-	-	-	-	-	-	(6)	(6)
Impact on foreign exchange rate	22	252	213	113	296	-	112	1,008
December 31, 2024	<u>\$ 8,095</u>	<u>3,639</u>	<u>2,842</u>	<u>1,183</u>	<u>7,994</u>	<u>-</u>	<u>10,053</u>	<u>33,806</u>

Deferred income tax liabilities:

	Exchange gains	Exchange differences on foreign operations	Investment gains under the equity method	Right-of-use assets	Compensating assets	Others	Total
January 1, 2025	\$ 314	3,609	4,754	2,639	7,234	150	18,700
Recognized in loss (gain)	(314)	-	(4,754)	(458)	(4,099)	(126)	(9,751)
Recognized in other comprehensive loss (income)	-	(2,771)	-	-	-	-	(2,771)
Impact on foreign exchange rate	-	-	-	(107)	(19)	(24)	(150)
December 31, 2025	<u>\$ -</u>	<u>838</u>	<u>-</u>	<u>2,074</u>	<u>3,116</u>	<u>-</u>	<u>6,028</u>
January 1, 2024	\$ 397	-	5,743	4,018	-	6	10,164
Recognized in loss (gain)	(83)	-	(989)	(1,577)	7,255	143	4,749
Recognized in other comprehensive loss (income)	-	3,609	-	-	-	-	3,609
Impact on foreign exchange rate	-	-	-	198	(21)	1	178
December 31, 2024	<u>\$ 314</u>	<u>3,609</u>	<u>4,754</u>	<u>2,639</u>	<u>7,234</u>	<u>150</u>	<u>18,700</u>

3. Status of income tax assessments

The income tax returns of the Company's profit-seeking business have been audited and approved by the tax authorities up to 2023.

(XV) Other payables

	2025.12.31	2024.12.31
Salary payable	\$ 6,181	15,232
Freight payable	15,215	15,260
Commission payable	7,334	10,234
Interest payable	5,859	2,252
Service fees payable	2,045	3,621
Premium payable	1,186	1,100
Remuneration payable to employees, directors and supervisors	-	2,109
Others	9,132	9,036
Total	<u>\$ 46,952</u>	<u>58,844</u>

(XVI) Share capital and other interests

1. Share capital

The total amount of the Company's authorized capital was NT\$600,000 thousand, divided into 22,935,000 shares, as of both December 31, 2025 and 2024, with a par value of NT\$10 per share, and the capital contributions have all been received.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

The reconciliation of the outstanding common shares of the Company is as follows:

	Unit: Thousand shares	
	<u>2025</u>	<u>2024</u>
Ending balance (i.e. beginning balance)	<u>22,935</u>	<u>22,935</u>

2. Capital reserve

The balance of the Company's capital reserves is as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Issued stock premium	<u>\$ 248,325</u>	<u>248,325</u>

3. Retained earnings

Pursuant to the Company's Articles of Incorporation, when there are earnings in the Company's annual final accounts, the Company shall first pay taxes, offset the deficits from prior years, and set aside 10% of the balance for legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. In addition, according to the Company's operational needs and laws and regulations, a special reserve shall be set aside. If there is any surplus, the Board of Directors shall prepare an earnings distribution proposal and submit it to the Shareholders' Meeting for resolution.

(1) Legal reserve

As per the Company Act, the Company shall provide 10% of the net income after tax as a legal reserve unless it has reached the total amount of the Company's paid-in capital. The legal reserve can be used to make up for deficits. When the Company has no deficits, it may be resolved by the shareholders' meeting to distribute new shares or cash out of the legal reserve. However, the portion of the legal reserve exceeding 25% of the paid-in capital shall be limited to

(2) Special reserve

In accordance with the regulations of the Financial Supervisory Commission (FSC), when the Company allocates distributable earnings, it shall appropriate a special reserve from the current period's profit or the undistributed earnings of prior periods to cover the net deduction from other components of shareholders' equity that occurred during the current year. For the cumulative deductions from "other shareholders' equity" from prior years, a special reserve shall be appropriated from undistributed earnings of prior periods and shall not be distributed. Subsequently, when the amount of deductions from "other shareholders' equity" is reversed, the reversed portion may be distributed as earnings.

4. Earnings distribution

On June 5, 2025 and May 27, 2024, the Company's shareholders' meetings resolved the 2024 and 2023 earnings distribution proposals. The amounts of cash dividends are as follows:

	<u>2024</u>	<u>2023</u>
Dividends distributed to common shareholders:		
Cash	<u>\$ 34,402</u>	<u>11,467</u>

Information regarding the earnings distribution resolved by the shareholders' meeting of the Company can be obtained from the MOPS.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(XVII) Earnings per share (losses)

	Number of shares unit: Thousand shares	
	<u>2025</u>	<u>2024</u>
Basic earnings (losses) per share:		
Net income (loss) attributable to the Company:	<u>\$ (22,447)</u>	<u>58,570</u>
Weighted average outstanding common shares	<u>22,935</u>	<u>22,935</u>
Basic earnings (losses) per share (Unit: NTD)	<u>\$ (0.98)</u>	<u>2.55</u>
Diluted earnings (losses) per share:		
Net income (loss) attributable to the Company:	<u>\$ (22,447)</u>	<u>58,570</u>
Weighted average outstanding common shares	22,935	22,935
Effect of potentially dilutive common shares		
Employee remuneration	-	58
Weighted average of outstanding common shares (after adjusting for the potential dilutive effect of common shares)	<u>22,935</u>	<u>22,993</u>
Diluted earnings (losses) per share (NTD)	<u>\$ (0.98)</u>	<u>2.55</u>

(XVIII) Revenue from customer contracts

1. Breakdown of revenue

	<u>2025</u>	<u>2024</u>
Key regional markets:		
USA	\$ 1,870,664	1,885,239
China	1,023,973	1,972,978
Thailand	924,757	302,122
Taiwan	401,085	302,559
Canada	434,063	390,626
Vietnam	239,983	290,089
Malaysia	260,275	278,844
India	193,136	123,871
Other countries	<u>523,671</u>	<u>524,144</u>
	<u>\$ 5,871,607</u>	<u>6,070,472</u>
Main product/ service lines:		
Rubber products	\$ 4,067,040	4,185,454
Plastic products	1,535,721	1,589,769
Others	<u>268,846</u>	<u>295,249</u>
	<u>\$ 5,871,607</u>	<u>6,070,472</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

2. Contract balance

	<u>2025.12.31</u>	<u>2024.12.31</u>	<u>2024.1.1</u>
Notes receivable	\$ 208	8,437	4,955
Accounts receivable	743,665	831,128	459,965
Less: Loss allowance	<u>(21,521)</u>	<u>(42,925)</u>	<u>(7,013)</u>
Total	<u>\$ 722,352</u>	<u>796,640</u>	<u>457,907</u>
Contract liabilities	<u>\$ 48,724</u>	<u>35,044</u>	<u>26,721</u>

The opening balance of contract liabilities on January 1, 2025 and 2024 totaled NTD 32,472 thousand and NTD 21,311 thousand for 2025 and 2024, respectively, recognized as income.

Please refer to Note 6(2) for the disclosures of notes and accounts receivable and impairment thereof.

(XIX) Remuneration to employees, directors and supervisors

The Company amended the Articles of Incorporation on June 5, 2025. Pursuant to the amended Articles of Incorporation, if the Company makes a profit for a year, it shall provide no less than 2% of the balance as employee remuneration (no less than 0.5% of which shall be contributed as the non-executive employees' remuneration) and no greater than 0.08% as director and supervisor remuneration. However, if the Company still has accumulated losses, an amount shall be reserved in advance to offset the losses. The remuneration to employees in the preceding paragraph may be paid in cash or shares, and the recipients of the remuneration include the employees of the controlling or subordinate companies who meet certain criteria. As per the Articles of Incorporation before the amendment, where the Company makes a profit for a year, it shall provide no less than 2% of the balance as employee remuneration and no greater than 0.08% as director and supervisor remuneration. However, if the Company still has accumulated losses, an amount shall be reserved in advance to offset the losses. The remuneration to employees in the preceding paragraph may be paid in cash or shares, and the recipients of the remuneration include the employees of the controlling or subordinate companies who meet certain criteria.

The Company's 2025 and 2024 remuneration to employees was estimated to be NT\$0 and NT\$1,959 thousand, respectively; 2025 and 2024 remuneration to directors/ supervisors was estimated at NT\$0 and NT\$150 thousand, respectively. The estimates were based on the net profit before deducting the remuneration to employees, directors and supervisors and multiplied by the remuneration to employees and remuneration to directors and supervisors stipulated in the Articles of Incorporation of the Company. The remuneration was reported as operating expenses for 2025 and 2024. If there is a discrepancy between the actual amount distributed and the estimated amount in the following year, it shall be treated as a change in accounting estimates and recognized as profit or loss of the following year. If the Board of Directors resolves to distribute employee bonuses in the form of stock dividends, the number of shares distributed will be calculated based on the fair market value of the stock the day before the resolution is made.

The amount of remuneration to employees, directors and supervisors resolved by the above-mentioned board of directors is no different from the estimated amounts in the Group's consolidated financial statements for 2025 and 2024.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(XX) Non-operating income and expenses

1. Interest revenue

	<u>2025</u>	<u>2024</u>
Interest on bank deposits	\$ 5,471	11,908
Accrued interest income on security deposits	94	3
	<u>\$ 5,565</u>	<u>11,911</u>

2. Other income

	<u>2025</u>	<u>2024</u>
Rental income	\$ 3,080	19
Service revenue	952	-
Compensation income	955	1,103
Government grants	9	239
Others	1,183	1,818
Total	<u>\$ 6,179</u>	<u>3,179</u>

3. Other gains and losses

	<u>2025</u>	<u>2024</u>
Foreign exchange gain, net	\$ 10,413	8,563
Gains on lease modifications	367	2
Net valuation loss on financial assets at fair value through profit or loss	(43)	(1,037)
Loss on disposal of property, plant and equipment	(111)	(122)
Compensation for losses	(946)	-
Investment property depreciation expense	(800)	-
Others	(2,230)	(333)
Total	<u>\$ 6,650</u>	<u>7,073</u>

4. Financial costs

	<u>2025</u>	<u>2024</u>
Interest expenses:		
Bank borrowings	\$ 61,866	15,688
Lease liabilities	1,082	654
Borrowings from related parties	2,638	48,443
Others	10	-
Total	<u>\$ 65,596</u>	<u>64,785</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(XXI) Financial instruments

1. Credit risk

(1) Credit risk exposure

The carrying amount of the financial assets represents the maximum exposure to credit risk.

(2) Concentration of credit risk

As the Group has a large client base and does not significantly concentrate on transactions with a single client, there is no significant credit concentration risk from accounts receivable. In order to reduce credit risk, the Group also regularly and continuously evaluates the financial status of customers; therefore the Group usually does not require customers to provide collateral.

(3) Credit risk of receivables and refundable deposits

Please refer to Note 6(2) for the information on the credit risk arising from the notes and accounts receivable. Please refer to Note 6(3) for details of other receivables. Other receivables and refundable deposits are financial assets with low credit risk, therefore, the allowance for losses for the period is measured at the amount of expected credit losses for the twelve-month period (please refer to Note 4(7) for details of how the Group determines that the credit risk is low).

2. Liquidity risk

The table below shows the contractual maturities of financial liabilities, including the impact of estimated interest.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2025						
Non-derivative financial liabilities						
Short-term borrowings	\$ 1,093,733	1,108,337	1,108,337	-	-	-
Accounts payable	130,005	130,005	130,005	-	-	-
Other payables (including related parties)	47,276	47,276	47,276	-	-	-
Refund liabilities	396	396	396	-	-	-
Lease liabilities	9,623	9,972	4,853	5,119	-	-
Long-term borrowings	230,340	256,870	4,376	15,571	93,728	143,195
Guarantee deposits received	617	617	-	-	-	617
	<u>\$ 1,511,990</u>	<u>1,553,473</u>	<u>1,295,243</u>	<u>20,690</u>	<u>93,728</u>	<u>143,812</u>
December 31, 2024						
Non-derivative financial liabilities						
Short-term borrowings	\$ 670,498	682,897	682,897	-	-	-
Accounts payable	342,669	342,669	342,669	-	-	-
Other payables (including related parties)	481,330	489,306	489,306	-	-	-
Refund liabilities	3,283	3,283	3,283	-	-	-
Lease liabilities	82,917	89,645	15,113	12,423	25,384	36,725
Guarantee deposits received	617	617	-	-	-	617
	<u>\$ 1,581,314</u>	<u>1,608,417</u>	<u>1,533,268</u>	<u>12,423</u>	<u>25,384</u>	<u>37,342</u>

The Group does not expect that the cash flow in the maturity date analysis will occur significantly earlier or that the actual amount will be significantly different.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

3. Exchange rate risk

(1) Exchange rate risk exposure

The Group's financial assets and liabilities exposed to the significant foreign currency exchange rate risk is as follows:

	2025.12.31			2024.12.31			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	9,549	31.42	299,987	11,697	32.78	383,450
EUR		686	36.90	25,297	786	33.94	26,690
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD		15,878	31.42	498,818	28,690	32.78	940,481

(2) Sensitivity analysis

The Group's exchange rate risk mainly arises from non-functional currencies denominated in cash and cash equivalents, accounts receivable (payable), other accounts receivable (payable) and bank borrowings, with foreign currency exchange gains and losses generated during the translation. On December 31, 2025 and 2024, when the NTD depreciated by 1% against USD and EUR, with all other factors held constant, the net income before tax for 2025 and 2024 would have decreased by NT\$1,735 and NT\$5,303 thousand, respectively.

(3) Exchange gains and losses on monetary items

As the Group use various functional currencies, gains and losses on monetary items are disclosed on an aggregated basis, and the foreign exchange gains (including realized and unrealized) amounted to NT\$10,413 thousand and NT\$8,563 thousand, respectively in 2025 and 2024.

4. Interest rate analysis

The sensitivity analysis below is based on the exposure of non-derivative instruments to the interest rate risk at the reporting date. For financial instruments with floating interest rates, the analysis method is based on the assumption that the amount of assets and liabilities outstanding on the reporting date was outstanding throughout the year. The rate of change used in the Group's internal reporting of interest rates to key management is an increase or decrease of 1%, which also represents management's assessment of the reasonably possible range of changes in interest rates.

If the interest rate increased or decreased by 1%, and all other variables remained unchanged, the net profit before tax for 2025 and 2024 would decrease or increase by NT\$3,359 thousand and NT\$4,413 thousand, respectively. This is mainly due to variable interest rate borrowings of the Group.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

5. Fair value information – types and fair values of financial instruments

Financial assets and liabilities measured at fair value through profit or loss are measured at fair value on a repetitive basis. Carrying amount and fair value of various financial assets and financial liabilities (including fair value hierarchy information, but the carrying amount of financial instruments not measured at fair value is a reasonable approximation of the fair value and lease liabilities, there is no need to disclose the fair value information as required) are presented as follows:

		2025.12.31				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	187,628	-	-	-	-
Notes and accounts receivable		722,352	-	-	-	-
Other receivables (including related parties)		13,834	-	-	-	-
Refundable deposits		2,460	-	-	-	-
Total	\$	926,274	-	-	-	-
Financial liabilities at amortized cost						
Bank borrowings	\$	1,093,733	-	-	-	-
Accounts payable		130,005	-	-	-	-
Other payables (including related parties)		47,276	-	-	-	-
Refund liabilities		396	-	-	-	-
Lease liabilities		9,623	-	-	-	-
Long-term borrowings		230,340	-	-	-	-
Guarantee deposits received		617	-	-	-	-
Total	\$	1,511,990	-	-	-	-
		2024.12.31				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$	333,282	-	-	-	-
Notes and accounts receivable		796,640	-	-	-	-
Other receivables		34,512	-	-	-	-
Refundable deposits		5,773	-	-	-	-
Total	\$	1,170,207	-	-	-	-
Financial liabilities at amortized cost						
Bank borrowings	\$	670,498	-	-	-	-
Accounts payable		342,669	-	-	-	-
Other payables (including related parties)		481,330	-	-	-	-
Refund liabilities		3,283	-	-	-	-
Lease liabilities		82,917	-	-	-	-
Guarantee deposits received		617	-	-	-	-
Total	\$	1,581,314	-	-	-	-

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

There were no financial assets and liabilities transferred to the fair value hierarchy in 2025 and 2024.

(XXII) Financial risk management

1. Overview

The Group is exposed to the following risks due to the use of financial instruments:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

The Group's risk exposure information and the objectives, policies and procedures of the Group's risk measurement and management are disclosed in this note.

2. Risk management framework

The Group's Board of Directors is responsible for developing and controlling the Group's risk management policies. The establishment of risk management policies is to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to supervise risks and the compliance of risk limits. The risk management policy and system are regularly reviewed to reflect changes in the market conditions and the Group's operations.

The Group's management supervises and reviews the financial activities in accordance with the relevant regulations and internal control system, and the review results are reported to the Board of Directors on a regular basis.

3. Credit risk

Credit risks are the risk of financial losses if a customer or counterparty to a financial instrument fails to meet contractual obligations. The Group's primary credit risks arise from accounts receivable from clients and other receivables.

(1) Bank deposits

The counterparties for the Group's deposits are banks with strong creditworthiness, minimizing significant credit risk.

(2) Notes and accounts receivable

As the Group is a distributor of rubber products and has a broad customer base, the balances of notes and accounts receivable of the Group as of December 31, 2025 and 2024 were not significantly concentrated in a few customers. Therefore, there was no significant concentration of credit risk on accounts receivable. The Group has established a credit policy, and analyzes the credit status of each customer individually to determine the credit limit in accordance with the policy. The Group also regularly evaluates customers' financial status and uses insurance to reduce credit risks.

4. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The Group's management personnel supervise the use of bank financing facilities and ensure compliance with the terms of the loan contracts.

Bank borrowings are an important source of liquidity for the Group. As of December 31, 2025 and 2024, the unused short-term bank credit lines of the Group totaled NT\$1,818,179 thousand and NT\$1,925,971 thousand, respectively.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

5. Market risk

Market risk refers to the risk that affects the Group's revenue or the value of financial instruments held due to changes in market prices, such as changes in exchange rates or interest rates. The purpose of market risk management is to control the exposure to market risks within a range of tolerance and optimize return on investment.

(1) Exchange rate risk

The Group is exposed to exchange rate risk arising from procurement not denominated in its functional currency. Such non-functional currencies are mainly USD and EUR. The functional currency of the Group is primarily NTD and USD.

The Group did not have major differences or significant changes in receivables and payables so adopts natural hedge to hedge the exchange rate risk as the main exchange rate hedge policy.

(2) Interest rate risk

The Group's interest rate risk mainly comes from borrowings with variable interest rates. The Group's management regularly reviews the interest rate fluctuations and repays borrowings early depending on the fund conditions to manage interest rate risks.

(XXIII) Capital management

Based on the characteristics of the current industry and future development of the Group, and taking into account factors such as changes in the external environment, the Group plans its funds, capital expenditures, and dividend payments for future periods. This ensures that the Group will be able to continue its operations, reward its shareholders while also taking into account the interests of other stakeholders, and maintaining an optimal capital structure to enhance shareholders' value in the long run.

The Group monitors funds by regularly reviewing the debt ratio. The ratio is calculated with net debt divided by total capital. Net debt is the total liabilities shown in the balance sheet, less cash and cash equivalents. Total capital represents all of the components of equity (i.e. share capital, retained earnings and other equity).

The debt capital ratios as of December 31, 2025 and 2024 are as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Total liabilities	\$ 1,580,812	1,651,300
Less: Cash and cash equivalents	<u>(187,628)</u>	<u>(333,282)</u>
Net liabilities	<u>\$ 1,393,184</u>	<u>1,318,018</u>
Total capital	<u>\$ 491,835</u>	<u>559,778</u>
Debt capital ratio	<u>283.26 %</u>	<u>235.45 %</u>

(XXIV) Non-cash investments and financing activities

The Group's non-cash investments and financing activities in 2025 and 2024 were about the right-of-use assets acquired through leasing. Please refer to Note 6(6) and (11) for details.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

Reconciliations of the Group's liabilities from financing activities in 2025 and 2024 are as follows:

	<u>2025.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>Changes in exchange rate</u>	<u>2025.12.31</u>
			<u>Addition</u>	<u>Disposal of</u>		
Short-term borrowings	\$ 670,498	421,582	-	-	1,653	1,093,733
Lease liabilities	82,917	(10,537)	5,496	(67,910)	(343)	9,623
Long-term borrowings	-	230,340	-	-	-	230,340
Other payables - related parties	414,200	(401,441)	-	-	(12,759)	-
Total liabilities from financing activities	\$ 1,167,615	239,944	5,496	(67,910)	(11,449)	1,333,696

	<u>2024.1.1</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>Changes in exchange rate</u>	<u>2024.12.31</u>
			<u>Addition</u>	<u>Disposal of</u>		
Short-term borrowings	\$ 444,752	218,153	-	-	7,593	670,498
Lease liabilities	18,466	(8,061)	71,726	(56)	842	82,917
Other payables - related parties	368,820	23,510	-	-	21,870	414,200
Total liabilities from financing activities	\$ 832,038	233,602	71,726	(56)	30,305	1,167,615

VII. Related Party Transaction

(I) Parent company and ultimate controller

Weblink International Inc. is the parent company of the Group, which held 59.91% of the outstanding common shares of the Group as of December 31, 2025.

ACER Incorporated is the ultimate controller of the group to which the Group belongs. Both ACER Incorporated and Weblink International Inc. have prepared consolidated financial statements for public use.

(II) The names of related parties and relations therewith

During the period of the consolidated financial statements, the Company's subsidiaries and other related parties that had transactions with the Group are as follows:

<u>Name of related party</u>	<u>Relationship with the Group</u>
ACER Incorporated (ACER)	The ultimate controller of the Group
Weblink International Inc. (WLII)	The parent company of the Group
Well life Inc. (WELL)	Other related parties of the Group (subsidiary of Weblink International)
Acer Computer (Shanghai) Ltd. (ACCN)	Other related parties of the Group (subsidiary of ACER)
Gateway Inc. (Gateway)	Other related parties of the Group (subsidiary of ACER)

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

Name of related party	Relationship with the Group
Acer Synergy Manpower Corp.	Other related parties of the Group (subsidiary of ACER)
Acer Foundation	Other related parties of the Group (Acer's substantial related party)
Shine Passion Engineering Co., Ltd. (SPE)	Other related parties of the Group (associates of ACER)
CHAO-CHI PROPERTY MANAGEMENT CONSULTING CO., LTD.	Other related parties of the Group (associates of ACER)

(III) Material transactions with related parties

1. Operating expenses

The details of the payment of service fees, directors' remuneration, miscellaneous purchases and software purchases by the Group to related parties are as follows:

Account	Type/ Name of related party	2025	2024
Operating expenses	WLII	\$ 2,409	1,066
	ACER	506	-
	Other related parties	187	353
Total		<u>\$ 3,102</u>	<u>1,419</u>

2. Leases

The Group leased office space from ACER for the period from April 2023 to March 2024. The rent was calculated based on the price negotiated by both parties. The rent expense recognized by the Group in 2024 from the above lease contract was NT\$16 thousand. There was no such situation in 2025.

The Group generated rental income of NT\$2,965 thousand and NT\$10 thousand from leasing investment property to Chao Chi House Management Co., Ltd. in 2025 and 2024, respectively. The guarantee deposits received as of December 31, 2025 and December 31, 2024 were NT\$617 thousand each. The rental price of the Group's investment property leased to other related parties were determined with reference to market rental prices in nearby areas.

3. Receivables from related parties

Account	Type/ Name of related party	2025.12.31	2024.12.31
Other receivables — related parties	Acer Foundation	<u>\$ 1,000</u>	<u>-</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

4. Loans from related parties

The details of payables, interest expenses and interest payables arising from the Group's borrowings from related parties are as follows:

<u>Account</u>	<u>Type/ Name of related party</u>	<u>2025.12.31</u>	<u>2024.12.31</u>
Other payables - related parties	ACER	\$ -	151,952
	Gateway	-	262,248
Total		<u>\$ -</u>	<u>414,200</u>
Interest rate range (%)		<u>-</u>	<u>1.573~5.49</u>

<u>Account</u>	<u>Type/ Name of related party</u>	<u>2025</u>	<u>2024</u>
Interest expenses	ACER	\$ 246	26,258
	Gateway	2,392	22,185
Total		<u>\$ 2,638</u>	<u>48,443</u>

<u>Account</u>	<u>Type/ Name of related party</u>	<u>2025.12.31</u>	<u>2024.12.31</u>
Other payables - related parties	ACER	<u>\$ -</u>	<u>93</u>

For details regarding the promissory note issued by the Group as collateral for the loans to others provided by the parent company, Acer, please refer to Note 9.

5. Property transactions

(1) Acquisition of property, plant and equipment

The price for the Group's acquisition of property, plant and equipment from related parties is summarized as follows:

	<u>2025</u>	<u>2024</u>
ACER	\$ -	348
WLII	194	1,870
SPE	-	11,700
Total	<u>\$ 194</u>	<u>13,918</u>

(2) Acquisition of other assets

The price for the Group's acquisition of intangible assets from related parties is summarized as follows:

<u>Type/ Name of related party</u>	<u>Account</u>	<u>2025</u>	<u>2024</u>
WELL	Intangible assets	<u>\$ 54</u>	<u>-</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

6. Payables to related parties

The payables from related parties on the Group's office lease, acquisition of property, plant and equipment, and miscellaneous purchases are as follows:

Account	Type/ Name of related party	2025.12.31	2024.12.31
Other payables - related parties	ACER	\$ 273	-
	WLII	39	3
	SPE	-	8,190
	Other related parties	12	-
Total		<u>\$ 324</u>	<u>8,193</u>

7. Prepayments

The details of the Group's prepayment for software licenses from related parties are as follows:

Account	Type/ Name of related party	2025.12.31	2024.12.31
Prepayments	Other related parties	<u>\$ -</u>	<u>7</u>

8. Other income

The Group received NT\$952 thousand in revenue for research strategy services related to the application of environmental materials provided to Acer Foundation in 2025; no such revenue was received in 2024.

9. Endorsements and guarantees

As of December 31, 2025 and 2024, Weblink International guaranteed NT\$0 thousand and NT\$463,852 thousand, respectively, for the Group to purchase from suppliers.

(IV) Remuneration to key management

Remuneration of key management personnel

	2025	2024
Short-term employee benefits	<u>\$ 31,260</u>	<u>30,209</u>

VIII. Pledged assets

The book value of the Group's assets pledged as collateral is as follows:

Asset name	Subject matter of pledged guarantee	2025.12.31	2024.12.31
Land	Long-term borrowings	\$ 168,039	-
Buildings	Long-term borrowings	116,768	-
Total		<u>\$ 284,807</u>	<u>-</u>

IX. Material Contingent Liabilities and Unrecognized Contractual Commitments

On December 31, 2025 and 2024, the issued promissory notes as collateral for the bank's short-term loan facilities amounted to NT\$3,402,514 thousand and NT\$3,039,634 thousand, respectively. On December 31, 2025 and 2024, the issued guarantee promissory notes for loans to others obtained from the ultimate parent, Acer, amounted to NT\$0 and NT\$871,182 thousand, respectively.

X. Major Disaster Loss: None.

XI. Significant Subsequent Events: None.

XII. Others

Employee benefits, depreciation, depletion, and amortization expenses are summarized by function as follows:

By nature	By function	2025			2024		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expenses							
Salary and wages		-	118,178	118,178	-	118,436	
Labor and health insurance		-	10,926	10,926	-	10,338	
Pension		-	7,150	7,150	-	6,818	
Other employee benefits		-	7,892	7,892	-	6,510	
Depreciation expenses (Note)		-	14,351	14,351	-	10,181	
Amortization expenses		-	912	912	-	906	

Note: The depreciation expenses of investment property in 2025 and 2024 were NT\$800 thousand and NT\$60 thousand, respectively, and were recognized as other gains and losses.

XIII. Additional Disclosures

(I) Information on significant transactions:

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall further disclose the information of significant transactions in 2025 as follows:

1. Lending funds to others: None.

2. Providing endorsements or guarantees for others:

No.	Name of endorser/guarantor	Party endorsed/guaranteed		Limit of endorsements/guarantees to a single enterprise (Note 2)	Highest balance of endorsement/guarantee of this year	Ending balance of endorsements/guarantees	Amount drawn	Amount of endorsement/guarantee with property as collateral	Cumulative endorsements/guarantees provided as a % of the net worth as per the latest financial statements	Maximum limit of endorsements/guarantees (Note)	Parent company to a subsidiary	A subsidiary to parent company	Endorsement/guarantee to entities in China
		Name of company	Relations (Note 1)										
0	PAM	CRI	1	245,917	80,043	-	-	-	- %	491,835	Y	N	N
0	PAM	PST	1	245,917	80,043	78,540	1,197	-	15.97 %	491,835	Y	N	Y

Note 1: 1. Companies in which the company directly or indirectly holds more than 50% of the voting shares.

2. Between companies in which the company directly or indirectly holds 90% or more of the voting shares.

Note 2: The Company's regulations on endorsements/ guarantees are as follows:

1. The total amount of endorsements and guarantees provided for other companies shall not exceed the Company's net worth as of the latest financial statements.

2. The amount of endorsements/ guarantees for a single entity shall not exceed 20% of the Company's net worth as of the latest financial statements.

3. To one single investee in which the Company has 100% stake, the total amount of endorsements/ guarantees to all external parties is limited to 50% of the net worth in the Company's latest financial statements.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

- Holding of material securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture): None.
- Purchases or sales of goods from or to related parties reaching NT\$100 million or 20 percent of paid-in capital or more:

Unit: NTD thousand

Buyer/ Seller	Name of counterparty	Relationship	Transaction status				Circumstances and reasons for the difference between the transaction conditions and general transactions		Notes and accounts receivable (payable)		Remarks
			Purchase/ Sale	Amount	% of total	Payment terms	Unit price	Payment terms	Balance	% of total notes and accounts receivable (payable)	
The Company	CRI	Parent company and subsidiaries	(sales)	(916,255)	(26.71)	Monthly settlement 120 days	Note 1		175,054	39.64	
CRI	The Company	Parent company and subsidiaries	Purchases	916,255	50.51	Monthly settlement 120 days	Note 1		(175,054)	(77.69)	

Note 1: Agreed by both parties.

Note 2: The intragroup transactions listed above have been eliminated when preparing the consolidated financial statements.

- Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Unit: NTD thousand

Company under the accounts receivable account	Name of counterparty	Relationship	Balance of receivable from related party	Turnover	Overdue receivables from related parties		Receivable from related party recovered after the balance sheet date (Note 1)	Allowance for losses
					Amount	Handling method		
The Company	CRI	Subsidiary	175,054	2.70	43,781	Note 3	72,578	-

Note 1: As of February 28, 2026.

Note 2: The intragroup transactions listed above have been eliminated when preparing the consolidated financial statements.

Note 3: The full amount was recovered subsequent to the balance sheet date.

- Business relationships and significant transactions between the parent company and its subsidiaries:

Unit: NTD thousand

No. (Note 1)	Name of trader	Counterparty	Relations with the counterparty (Note 2)	Transaction status			As a percentage of consolidated total operating revenue or total assets
				Account	Amount	Transaction terms	
0	The Company	CRI	1	Sales revenue	916,255	Agreed by both parties	15.60 %
0	The Company	CRI	1	Accounts receivable	175,054	Agreed by both parties	8.45 %

Note 1: The method of entering the serial number is as follows:

- 1.0 represents the parent company.
- Subsidiaries are numbered sequentially starting from 1 according to company type.

Note 2: The types of relationships with the counterparties are as follows:

- Parent company to subsidiary
- Subsidiary to parent company

Note 3: The disclosure is based on the fact that the amount of the account is 1% or more of the consolidated total assets and 1% or more of the consolidated total revenue.

Note 4: The intragroup transactions listed above have been eliminated when preparing the consolidated financial statements.

(II) Information on investees:

The information on the investees in 2025 is as follows:

Unit: NTD Thousand/ Thousand shares (Unit)

Name of investor	Name of investee	Location	Main businesses and products	Initial investment amount		Held at the end of period			Highest shareholding or contribution in the interim period	Profit or loss of the investee for the period	Investment gains and losses recognized for the period (Note 1)	Remarks
				End of current period	End of last year	Number of shares	%	Carrying amount (Note 1)				
The Company	PAL	British Virgin Islands	Trading of rubber and various rubber products	36,979	36,979	70	100.00	59,458	36,979	8,243	8,243	Subsidiary
The Company	DCL	Samoa	Indirect investment	135,924	135,924	650	100.00	48,396	135,924	(23,142)	(23,142)	Subsidiary
The Company	CRI	USA	Trading of rubber and various rubber products	99,078	99,078	2,000	100.00	174,318	99,078	(13,223)	(13,223)	Subsidiary
The Company	PRV	Vietnam	Trading of rubber and various rubber products	14,940	14,940	(Note 2)	100.00	11,142	14,940	(1,322)	(1,322)	Subsidiary

Note 1: The investment income and carrying amount recognized by the Company were based on the audited financial statements of the investee's parent company in Taiwan, and evaluated using the equity method and eliminated in the preparation of the consolidated financial statements.

Note 2: As PRV is a limited company, there is only the amount of investment, and no quantity of shares.

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(III) Information on investments in mainland China:

1. The name and main businesses and products of the investees in Mainland China:

Unit: NTD thousand

Name of investee in Mainland China	Main businesses and products	Paid-up capital	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at the beginning of current period	Cumulative amount of investments remitted or repatriated during this period		Cumulative investment remitted from Taiwan at the end of this period	Profit or loss of the investee for the period	% ownership of direct or indirect investment	Highest shareholding in the interim period	Investment gains and losses recognized for the period	Book value of investment at the end of the period	Repatriated investment income up to the current period
					Outward remittance	Repatriation							
PST	Trading of rubber and various rubber products	19,960	(II)	-	-	-	-	(22,951)	100.00 %	100.00 %	(22,951) (Note 2)	46,084 (Note 2)	-

Note 1: Investment methods are divided into the following three types; enter the code:

- (I) Direct investment in Mainland China.
- (II) Indirect investment in entities in mainland China through DCL.
- (III) Other methods.

Note 2: The investment income and carrying amount of investments at the end of the period recognized by the Company were based on the audited financial statements of the investee's parent company in Taiwan, and evaluated using the equity method and eliminated in the preparation of the consolidated financial statements.

2. Limits on investment in Mainland China:

Cumulative outward remittance for investment from Taiwan to China at the end of this period	Investment amount authorized by the Investment Commission of MOEA	Upper limit on the amount of investments stipulated by the Investment Commission of MOEA
(Note 1)	139,299 (US\$4,434 thousand)	295,101 (Note 3)

Note 1: As the indirect investment in Mainland China was due to the equity swap with PGL; hence, it was a direct remittance of the investment amount by the Company; the consideration was US\$4,434 thousand, and approved by the Investment Commission of MOEA.

Note 2: The exchange rate for converting USD to NTD was 1:31.416.

Note 3: 60% of the net worth.

3. Significant transactions with investees in Mainland China: None.

XIV. Segment Information

(I) General information

The Group's chief operating decision-maker regularly reviews the operating performance of the operating segment to make decisions on resource allocation and evaluate the performance of the segment. The Group has only one reportable segment, which engages in the trading of rubber and plastic products.

(II) Information on products

The Group's revenue from external clients is as follows:

Product/ Service	2025	2024
Rubber products	\$ 4,067,040	4,185,454
Plastic products	1,535,721	1,589,769
Others	268,846	295,249
Total	<u>\$ 5,871,607</u>	<u>6,070,472</u>

Notes to the consolidated financial statements of Protrade Applied Materials Corp. and subsidiaries (continued)

(III) Information by region

The Group's information by region is as follows, in which revenue is classified based on clients' geographical locations, while non-current assets are classified based on the geographical locations of assets.

Revenue from external customers:

Country	2025	2024
USA	\$ 1,870,664	1,885,239
China	1,023,973	1,972,978
Thailand	924,757	302,122
Taiwan	401,085	302,559
Canada	434,063	390,626
Vietnam	239,983	290,089
Malaysia	260,275	278,844
India	193,136	123,871
Others	523,671	524,144
Total	\$ 5,871,607	6,070,472

Non-current assets:

Country	2025.12.31	2024.12.31
Taiwan	\$ 427,270	214,838
China	6,067	6,049
USA	3,794	6,757
Vietnam	636	1,126
Total	\$ 437,767	228,770

Non-current assets refer to property, plant and equipment, right-of-use assets, investment property and intangible assets, while excluding deferred tax assets, and guarantee deposits paid.

(IV) Information on major clients

	2025		2024	
	Amount	%	Amount	%
Company A	\$ 537,924	9	706,228	12

There were no customers whose sales revenue accounted for more than 10% of the operating revenue in the consolidated statements of comprehensive income in 2025.