

GENMONT BIOTECH INC. AND SUBSIDIARIES

Consolidated Financial Statements for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report

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Notice to Readers

The English consolidated financial statements are not reviewed nor audited by independent auditors. They have been translated into English from the original Chinese version which are audited by independent auditors. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of GenMont Biotech Inc. as of and for the year ended December 31, 2025, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10 endorsed by the Financial Supervisory Commission. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Therefore, GenMont Biotech Inc. does not prepare a separate set of combined financial statements.

Very truly yours,

GenMont Biotech Inc.

By

Ken-Te Chen

Chairman

March 9, 2026

Independent Auditors' Report

To the Board of Directors of GenMont Biotech Inc.

Audit opinion

We have audited the consolidated balance sheets of GenMont Biotech Inc. and its subsidiaries (hereinafter referred to as "GenMont Group") as of December 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to consolidated financial statements (including a summary on significant accounting policies).

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial status of GenMont Group as of December 31, 2025 and 2024, and its consolidated financial performance and cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of GenMont Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China ("the Norm"), and we have fulfilled our other responsibilities in accordance with the Norm. 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 ones that were of most significance in our audit of the consolidated financial statements of GenMont Group for the year ended December 31, 2025 based on our professional judgment. These matters have been covered during the audit of the overall consolidated financial statements and in forming the audit opinion. We will not express a separate opinion on these matters. Key audit matters to be communicated on the independent auditors' report are stated as follows:

1. Assessment of inventory obsolescence loss

Please refer to Note 4(8) of the accompanying consolidated financial statements for accounting policies concerning inventory, Note 5(1) for accounting estimates and assumption uncertainty concerning inventory, and Note 6(5) for disclosures pertaining to inventory write-downs.

Description of key audit matter:

The primary inventory of GenMont Group consists of various probiotic supplements. Market demand and other factors may cause existing products to become outdated or misaligned with market needs, leading to inventory obsolescence. This increases the risk that inventory costs may exceed the net realizable value. As a result, the evaluation of inventory obsolescence loss is one of the key audit matters in our audit of GenMont Group's consolidated financial statements.

Audit procedures:

Our key audit procedures for the aforementioned key audit matter included:

- Gaining an understanding of management’s inventory obsolescence valuation policy and comparing it to historical obsolescence data to assess the accuracy of past estimates.
- Obtaining the inventory aging report, selecting samples, and tracing them to inventory movement records to verify the accuracy of aging calculations.
- Recalculating the inventory obsolescence allowances based on applicable obsolescence rates for different aging brackets.
- Assessing the adequacy of GenMont Group’s disclosures regarding inventory allowances.

2. Assessment on impairment of long-term non-financial assets

Please refer to Note 4(12) of the accompanying consolidated financial statements for accounting policies concerning the impairment assessment of long-term non-financial assets of GenMont Biotech (China) Co., Ltd. (GenMont (China)), Note 5(2) for relevant accounting estimates and assumption uncertainty, and Note 6(7) and (8) for details on the impairment assessment of long-term non-financial assets.

Description of key audit matter:

The industry in which GenMont (China) operates is susceptible to changes in market conditions and the recoverable amount for impairment assessment of long-term non-financial assets is based on external experts’ assessments. As the assessment outcome would directly affect the carrying amount of long-term non-financial assets, the assessment on impairment of long-term non-financial assets was considered one of the key audit matters in our audit of GenMont Group’s consolidated financial statements.

Audit procedures:

Our key audit procedures for the aforementioned key audit matter included:

- Evaluating the professional competence, qualifications, and independence of the external valuation expert engaged by the Company.
- Engaging a third-party valuation expert to assist in reviewing and assessing the appropriateness of the valuation methodology selected and the reasonableness of the underlying assumptions in the valuation report.
- Assessing the adequacy of GenMont Group’s disclosures concerning the assessment on impairment of long-term non-financial assets.

Other Matters

GenMont Biotech Inc. has prepared the parent company only financial statements for the years ended December 31, 2025 and 2024, which we had audited and issued an unqualified opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

The responsibilities of management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRICs, and SICs endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and maintain necessary internal controls associated with the preparation in order to ensure the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, management is also responsible for assessing the ability of GenMont Group in continuing as a going concern, disclosing associated matters and adopting the going concern basis of accounting unless the management intends to liquidate GenMont Group or cease the operations, or has no realistic alternative but to do so.

Those charged with governance of GenMont Group (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditors' 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 to issue an independent auditors' report. Reasonable assurance is a high level of 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. Misstatements can arise from fraud or error. If those amounts of misstatements, either individually or in the aggregate, could reasonably be expected to influence the economic decisions of financial statement users, they are considered material.

We have exercised professional judgment and professional skepticism when carrying out auditing work according to the auditing standards. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute appropriate counter-measures in response to those risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
2. Understand internal controls relevant to the audit in order to design appropriate audit procedures under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GenMont Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Based on the audit evidence obtained, we conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists for events or conditions that may cast significant doubts on GenMont Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in the notes to those statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may result in GenMont Group ceasing to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately represent the underlying transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within GenMont Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and execution of the audit and the preparation of an audit opinion on GenMont Group.

Matters communicated between us and the governance bodies include the planned scope and timing of the audit, and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provide governance bodies with a declaration that we have complied with the Norm regarding independence, and to communicate with them all relationships and other matters that may possibly be deemed to impair our independence (including relevant preventive measures).

From the matters communicated with governance bodies, we determine the key audit matters within the audit of GenMont Group's consolidated financial statements for the year ended December 31, 2025. We have clearly indicated such matters in the independent auditors' report, unless legal regulations prohibit the public disclosure of specific items, or in extremely rare cases, where we decided not to communicate over specific items in the independent auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

March 9, 2026

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 and 2024
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6(1))	\$ 103,732	6	110,513	6
Financial assets at amortized cost - current (Note 6(3))	261,624	16	248,130	15
Notes and accounts receivable, net (Note 6(4) & (17))	46,156	3	31,599	2
Other receivables	738	-	1,730	-
Inventories (Note 6(5))	70,386	4	77,668	5
Prepayments and other current assets	5,233	-	4,920	-
Other financial assets - current (Note 8)	67,440	4	67,170	4
Total current assets	555,309	33	541,730	32
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 6(2))	-	-	6,090	-
Property, plant and equipment (Note 6(7))	914,628	55	972,217	57
Right-of-use assets (Note 6(8))	61,662	4	64,619	4
Intangible assets	2,009	-	2,155	-
Deferred income tax assets (Note 6(14))	51,838	3	42,041	2
Net defined benefit assets - non-current (Note 6(13))	9,290	1	8,296	1
Other financial assets - non-current (Note 8)	67,440	4	67,170	4
Other non-current assets	2,907	-	4,424	-
Total non-current assets	1,109,774	67	1,167,012	68
TOTAL	\$ 1,665,083	100	1,708,742	100

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

(Continued)

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - (Continued)
DECEMBER 31, 2025 and 2024
(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings (Notes 6(9) & 8)	\$ 23,501	2	20,478	1
Contract liabilities - current (Note 6(17))	22,039	1	40,049	2
Notes and accounts payable	8,141	-	6,304	-
Other payables	42,717	3	43,316	3
Current income tax liabilities	22,735	2	12,187	1
Lease liabilities - current (Note 6(12))	1,759	-	2,404	-
Refund liabilities - current (Note 6(11) & (17))	1,577	-	3,165	-
Current portion of long-term borrowings (Notes 6(10) & 8)	7,310	-	12,242	1
Total current liabilities	129,779	8	140,145	8
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 6(10) & 8)	44,896	3	49,227	3
Deferred income tax liabilities (Note 6(14))	5,519	-	3,114	-
Lease liabilities - non-current (Note 6(12))	32,841	2	34,261	2
Guarantee deposits received	2,318	-	2,318	-
Total non-current liabilities	85,574	5	88,920	5
Total liabilities	215,353	13	229,065	13
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 6(14) & (15))				
Ordinary shares	860,104	52	865,114	50
Capital surplus	351,774	21	353,744	21
Retained earnings	113,340	7	128,017	8
Other equity	5,663	-	4,904	-
Total equity attributable to owners of the Company	1,330,881	80	1,351,779	79
NON-CONTROLLING INTERESTS (Note 6(6))	118,849	7	127,898	8
Total equity	1,449,730	87	1,479,677	87
TOTAL	\$ 1,665,083	100	1,708,742	100

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

(Concluded)

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2025 and 2024
(In Thousands of New Taiwan Dollars)

	2025		2024	
	Amount	%	Amount	%
Operating revenue (Note 6(17))	\$ 401,229	100	385,373	100
Operating costs (Notes 6(5), (13) & (18) & 12)	149,595	37	147,194	38
Gross profit	<u>251,634</u>	<u>63</u>	<u>238,179</u>	<u>62</u>
Operating expenses (Notes 6(4), (12), (13) & (18), 7 & 12)				
Selling and marketing expenses	44,638	11	45,991	12
General and administrative expenses	103,185	26	106,798	27
Research and development expenses	45,335	11	45,272	12
Expected credit loss (gain)	725	-	(516)	-
Total operating expenses	<u>193,883</u>	<u>48</u>	<u>197,545</u>	<u>51</u>
Profit from operations	<u>57,751</u>	<u>15</u>	<u>40,634</u>	<u>11</u>
Non-operating income and expenses (Note 6(12) & (19))				
Interest income	7,055	2	11,269	3
Other gains and losses	2,789	1	16,534	4
Finance costs	(3,915)	(1)	(3,718)	(1)
Total non-operating income and expenses	<u>5,929</u>	<u>2</u>	<u>24,085</u>	<u>6</u>
Profit before income tax	63,680	17	64,719	17
Less: Income tax expense (Note 6(14))	15,698	4	16,968	5
Net profit	<u>47,982</u>	<u>13</u>	<u>47,751</u>	<u>12</u>
Other comprehensive income (loss) (Note 6(14) & (15))				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plan	860	-	871	-
Less: Income tax related to items that will not be reclassified subsequently	172	-	174	-
	<u>688</u>	<u>-</u>	<u>697</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	1,116	-	30,558	8
Less: Income tax related to items that may be reclassified subsequently	190	-	5,195	1
	<u>926</u>	<u>-</u>	<u>25,363</u>	<u>7</u>
Other comprehensive income (loss), net of income tax	1,614	-	26,060	7
Total comprehensive income	<u>\$ 49,596</u>	<u>13</u>	<u>73,811</u>	<u>19</u>
Net profit (loss) attributable to:				
Owners of the Company	\$ 57,198	15	57,251	15
Non-controlling interests	(9,216)	(2)	(9,500)	(3)
	<u>\$ 47,982</u>	<u>13</u>	<u>47,751</u>	<u>12</u>
Total comprehensive income attributable to:				
Owners of the Company	\$ 58,645	15	78,728	20
Non-controlling interests	(9,049)	(2)	(4,917)	(1)
	<u>\$ 49,596</u>	<u>13</u>	<u>73,811</u>	<u>19</u>
Earnings (loss) per share (NT\$) (Note 6(16))				
Basic	<u>\$</u>	<u>0.66</u>	<u>\$</u>	<u>0.66</u>
Diluted	<u>\$</u>	<u>0.66</u>	<u>\$</u>	<u>0.66</u>

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

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2025 and 2024
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Retained Earnings					Total	Other Equity Exchange Differences on Translation of Foreign Operations	Treasury Shares	Total Equity Attributable to Owners of the Company	Non- Controlling Interests	Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings						
Balance as of January 1, 2024	\$ 865,114	377,102	46,479	5,579	37,909	89,967	(15,876)	-	1,316,307	132,815	1,449,122
Net income (loss) for the period	-	-	-	-	57,251	57,251	-	-	57,251	(9,500)	47,751
Other comprehensive income (loss) for the period	-	-	-	-	697	697	20,780	-	21,477	4,583	26,060
Total comprehensive income for the period	-	-	-	-	57,948	57,948	20,780	-	78,728	(4,917)	73,811
Appropriation and distribution of earnings											
Appropriation of legal reserve	-	-	3,292	-	(3,292)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	10,297	(10,297)	-	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(19,898)	(19,898)	-	-	(19,898)	-	(19,898)
Cash dividends from capital surplus	-	(23,358)	-	-	-	-	-	-	(23,358)	-	(23,358)
Balance as of December 31, 2024	865,114	353,744	49,771	15,876	62,370	128,017	4,904	-	1,351,779	127,898	1,479,677
Net income (loss) for the period	-	-	-	-	57,198	57,198	-	-	57,198	(9,216)	47,982
Other comprehensive income (loss) for the period	-	-	-	-	688	688	759	-	1,447	167	1,614
Total comprehensive income for the period	-	-	-	-	57,886	57,886	759	-	58,645	(9,049)	49,596
Appropriation and distribution of earnings											
Appropriation of legal reserve	-	-	5,795	-	(5,795)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(15,876)	15,876	-	-	-	-	-	-
Cash dividends for ordinary shares	-	-	-	-	(69,209)	(69,209)	-	-	(69,209)	-	(69,209)
Repurchase of treasury shares	-	-	-	-	-	-	-	(10,334)	(10,334)	-	(10,334)
Cancellation of treasury shares	(5,010)	(1,970)	-	-	(3,354)	(3,354)	-	10,334	-	-	-
Balance as of December 31, 2025	\$ 860,104	351,774	55,566	-	57,774	113,340	5,663	-	1,330,881	118,849	1,449,730

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

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024
(In Thousands of New Taiwan Dollars)

	2025	2024
Cash flows from operating activities:		
Profit before income tax	\$ 63,680	64,719
Adjustments:		
Non-cash income and expense items		
Depreciation	66,564	71,199
Amortization	391	393
Expected credit loss (gain)	725	(516)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(4,016)	1,230
Interest expense	3,915	3,718
Interest income	(7,055)	(11,269)
Dividend income	(330)	(330)
Loss on disposal of property, plant and equipment	1	18
Unrealized gain on foreign currency exchange	(15,360)	(5,832)
Total non-cash income and expense items	44,835	58,611
Changes in operating assets and liabilities:		
Net changes in operating assets:		
(Increase) decrease in notes and accounts receivable	(15,332)	7,182
Decrease in other receivables	647	33
Decrease in inventories	7,066	10,096
(Increase) decrease in prepayments and other current assets	(239)	4,096
Increase in net defined benefit assets - non-current	-	(88)
Total net changes in operating assets	(7,858)	21,319
Net changes in operating liabilities:		
(Decrease) increase in contract liabilities	(17,969)	6,074
Increase (decrease) in notes and accounts payable	1,822	(1,548)
(Decrease) increase in other payables	(763)	3,545
Decrease in refund liabilities	(1,722)	(6,767)
Total net changes in operating liabilities	(18,632)	1,304
Total net changes in operating assets and liabilities	(26,490)	22,623
Total adjustments	18,345	81,234
Cash generated from operations	82,025	145,953
Interest received	8,061	11,297
Dividend received	330	330
Interest paid	(3,915)	(3,718)
Income tax paid	(12,904)	(29,916)
Net cash generated by operating activities	73,597	123,946

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

(Continued)

GENMONT BIOTECH INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
For the Years Ended December 31, 2025 and 2024
(In Thousands of New Taiwan Dollars)

	<u>2025</u>	<u>2024</u>
Cash flows from investing activities:		
Acquisition of financial assets at amortized cost	\$ (609,616)	(682,900)
Disposal of financial assets at amortized cost	603,190	710,481
Disposal of financial assets at fair value through profit or loss	10,106	-
Acquisition of property, plant and equipment	(3,407)	(44,054)
Acquisition of intangible assets	(247)	(221)
Decrease (increase) in other financial assets	6,209	(67,337)
Decrease in other non-current assets	1,464	1,608
Net cash generated by (used in) investing activities	<u>7,699</u>	<u>(82,423)</u>
Cash flows from financing activities:		
Increase in short-term borrowings	45,841	42,166
Decrease in short-term borrowings	(43,007)	(21,798)
Proceeds from long-term borrowings	-	43,649
Repayments of long-term borrowings	(9,166)	(5,512)
Decrease in guarantee deposits received	-	(50)
Repayment of lease principal	(2,762)	(2,645)
Cash dividends from capital surplus	-	(23,358)
Distribution of cash dividends	(69,209)	(19,898)
Cost of treasury shares repurchased	(10,334)	-
Net cash (used in) generated by financing activities	<u>(88,637)</u>	<u>12,554</u>
Effect of exchange rate changes on cash and cash equivalents	560	841
Net (decrease) increase in cash and cash equivalents	(6,781)	54,918
Cash and cash equivalents at beginning of period	110,513	55,595
Cash and cash equivalents at end of period	<u>\$ 103,732</u>	<u>110,513</u>

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

(Concluded)

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2025 and 2024

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. History and Organization

GenMont Biotech Inc. (the “Company”) was incorporated on December 6, 2000 in accordance with the Company Act of the Republic of China and merged the subsidiary Medray Biotech Incorporation on September 30, 2012. The registered address of the Company is No. 8, Nanke 7th Rd., Shanhua Dist., Tainan City, Taiwan (R.O.C.) The Company and its subsidiaries (collectively referred to as the “Group”) mainly engage in the research, development, manufacturing and selling of a variety of probiotic supplements.

2. Date and Procedures of Authorization of Financial Statements

The consolidated financial statements of the Group for the years ended December 31, 2025 and 2024 were approved and authorized for issue in the board of directors’ meeting on March 9, 2026.

3. Newly Issued or Revised Standards and Interpretations

- (1) Impact of adopting newly issued or revised standards and interpretations endorsed by the Financial Supervisory Commission (FSC)

The Group has adopted the newly amended International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards) below since January 1, 2025. The adoption does not have a significant impact on the consolidated financial statements.

- Amendments to IAS 21 “Lack of Exchangeability”

- (2) Impact of not yet adopting IFRS Accounting Standards endorsed by the FSC

Upon assessment, the adoption of newly amended IFRS Accounting Standards below, which take effect for annual periods beginning on January 1, 2026, does not have a significant impact on the consolidated financial statements.

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

- (3) Newly issued or revised standards and interpretations not yet endorsed by the FSC

Standards and interpretations issued and amended by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC, which may be relevant to the Group, are as follows:

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Newly Issued or Amended Standard	Key Amendments	Effective Date as Issued by the IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two new subtotals in the statement of profit or loss, and a single note on management performance measures. These amendments enhance and refine the guidance on disaggregation in financial statements, providing users with more useful and consistent information. The amendments will affect all companies.</p> <ul style="list-style-type: none"> • More structured statement of profit or loss: Under the current standards, companies use different formats to present their financial performance, making it difficult for investors to compare financial performance across companies. The new standard adopts a more structured format for the statement of profit or loss, introduces a newly defined “operating profit” subtotal, and requires all income and expenses to be classified into three newly established categories based on the company’s main business activities. • Management Performance Measures (MPM): The new standard defines management performance measures and requires companies to include a single note in their financial statements explaining why each measure provides useful information, how it is calculated, and how it reconciles with amounts recognized under IFRS Accounting Standards. • More disaggregated information: The new standard includes guidance on how companies should enhance the grouping of information in financial statements. This includes guidance on whether information should be included in the primary financial statements or further disaggregated in the notes. 	<p>January 1, 2027</p> <p>Note: On September 25, 2025, the FSC announced that companies in Taiwan shall apply IFRS 18 starting from January 1, 2028, and may elect early adoption upon the FSC’s endorsement of IFRS 18.</p>

The Group is continuously assessing the impact of the above standards and interpretations on its financial position and operating results. Relevant effects will be disclosed once the evaluation is completed.

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The Group expects the newly issued or amended standards below, which have yet to be endorsed by the FSC, would not have a 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 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

4. Summary of Significant Accounting Policies

Significant account policies adopted for the preparation of the consolidated financial statements are summarized below. Unless otherwise stated, the following accounting policies have been applied consistently throughout periods covered by the consolidated financial statements.

(1) Statement of compliance

The consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed and issued into effect by the FSC (collectively referred to as the “IFRSs endorsed by the FSC”).

(2) Basis of preparation

A. Basis of measurement

Except for major balance sheet items set out below, the consolidated financial statements have been prepared on a historical cost basis:

- (a) Financial assets at fair value through profit or loss which are measured at fair value, and
- (b) Net defined benefit assets which are measured at the fair value of the pension fund assets less the present value of the defined benefit obligations.

B. Functional currency and presentation currency

Functional currencies of entities within the Group are the currencies used by the principal economic environment in which the entities operate. The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars. Figures expressed in New Taiwan dollars are shown in thousands of New Taiwan dollars.

(3) Basis of consolidation

A. Preparation principle of consolidated financial statements

Entities within the consolidated financial statements include the Company and entities controlled by the Company (i.e., subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are fully consolidated from the date the Group obtains control, and remain consolidated until the date that such control ceases. All intra-group transactions, balances and unrealized gains and losses resulting from intra-group transactions are eliminated in

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full for the preparation of consolidated financial statements. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests (NCIs) even if this results in a deficit balance of the NCIs.

The financial statements of the subsidiaries are adjusted to be in line with the accounting policies used by the Group.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The difference between the adjustments to NCIs and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it derecognizes the assets (including goodwill) and liabilities of the subsidiary and the carrying amount of NCIs on the date it loses control. It remeasures the fair value of investment retained on the date it loses control. Gain (loss) on the disposal is the difference between: (a) the sum of the fair value of the consideration received and the fair value of investment retained on the date it loses control and (b) the sum of the assets (including goodwill) and liabilities of the subsidiary and the carrying amount of NCIs on the date it loses control. All amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

B. Subsidiaries included in the consolidated financial statements

Subsidiaries included in the consolidated financial statements are listed as follows:

Investor	Subsidiary	Business	Ownership Percentage		Note
			2025.12.31	2024.12.31	
The Company	GenMont Biotech (China) Co., Ltd. (GenMont (China))	Manufacturing and selling of functional foods	85%	85%	Major subsidiary

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

(4) Foreign currencies

A. Foreign currency transactions

Transactions in foreign currencies are initially recognized at the rates of exchange prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is measured; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the translation are recognized in profit or loss, except for the following circumstances where they are recognized in other comprehensive income:

- (a) Equity instruments designated as at fair value through other comprehensive income;
- (b) Financial liabilities designated as hedges of net investments in a foreign operation where the hedges are effective; or

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(c) Qualifying cash flow hedges where the hedges are effective.

B. Foreign operations

The assets and liabilities of foreign operations, including goodwill arising from the acquisition and fair value adjustments, are translated into New Taiwan dollars using the rates prevailing at the reporting date, and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income.

When the disposal of a foreign operation results in a loss of control, joint control or significant influence, the cumulative exchange differences associated with the foreign operation is reclassified to profit or loss. On the partial disposal of a subsidiary that includes a foreign operation, the proportionate share of the cumulative exchange differences is re-attributed to the NCIs. In the partial disposal of an associate or a joint venture that includes a foreign operation, the proportionate share of the cumulative exchange differences is reclassified to profit or loss.

For monetary receivables or payables of a foreign operation without a settlement plan and are not likely to be settled in the foreseeable future, the foreign exchange gains or losses are deemed as a part of the net investment in the foreign operation and recognized in other comprehensive income

(5) Classification of current and non-current assets and liabilities

An asset is classified as current when:

- A. the Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- B. the Group holds the asset primarily for the purpose of trading;
- C. the Group expects to realize the asset within twelve months after the reporting period; or
- D. 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.

All other assets are classified as non-current.

A liability is classified as current when:

- A. the Group expects to settle the liability in its normal operating cycle;
- B. the Group holds the liability primarily for the purpose of trading;
- C. the liability is due to be settled within twelve months after the reporting period; or
- D. the Group does not have the right at the balance sheet date to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits which meet the aforementioned

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definitions and are held to fulfill short-term cash commitments instead of for investment or other purposes are recognized as cash equivalents.

(7) Financial instruments

Accounts receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms of the instruments. Financial assets (except for accounts receivables without a significant financing component) or financial liabilities are initially measured at fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Accounts receivables without a significant financing component are initially recognized at transaction prices.

A. Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date or settlement date basis.

On initial recognition, financial assets are classified as measured at amortized cost or at fair value through profit or loss. Only when the Group changes the business model for managing the financial assets would financial assets affected be reclassified on the first day of the reporting period following the change.

(a) Financial assets at amortized cost

Financial assets which satisfy conditions below and are not designated as at fair value through profit or loss are measured at amortized cost:

- the objective of the business model for holding the financial asset is to collect its contractual cash flows, and
- cash flows generated on specified dates pursuant to the contractual terms are solely payments of principal and interest on the outstanding principal.

Such assets are subsequently measured at amortized cost, which is the amount initially recognized plus or minus the cumulative amortization calculated using the effective interest method, and adjusted for loss allowance, if any. Interest income, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Upon derecognition, the gains or losses are recognized in profit or loss.

(b) Financial assets at fair value through profit or loss

Financial assets not measured at amortized cost nor at fair value through other comprehensive income (e.g., financial assets held for trading and ones managed and assessed for performance on fair value basis) are presented as financial assets at fair value through profit or loss, which include derivative financial assets. On initial recognition, the Group may irrevocably designate financial assets which satisfy the conditions to be measured at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

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Those financial assets are subsequently measured at fair value and the gains or losses arising (including dividends or interests received on such financial assets) are recognized in profit or loss.

(c) Impairment of financial assets

The Group recognizes loss allowance for financial assets at amortized cost (including cash and cash equivalents, financial assets at amortized cost, notes and accounts receivables, other receivables, refundable deposits and other financial assets) at an amount equal to expected credit losses.

Loss allowance of the following assets is measured at an amount equal to 12-month expected credit losses while all other assets are measured at an amount equal to lifetime expected credit losses:

- Debt securities determined to have low credit risk at the reporting date; and
- Other debt securities and bank deposits whose credit risk (i.e., the risk of default during the expected life of financial instruments) has not increased significantly since initial recognition.

For accounts receivables, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses refer to expected credit losses arising from all possible default events during the expected life of financial instruments.

12-month expected credit loss refers to expected credit losses arising from possible default events of financial instruments during the 12-month period (or a shorter period if the expected life of the financial instruments is less than 12 months) after the reporting date.

The maximum period for the measurement of expected credit loss is the longest contract term where the Group is exposed to credit risk.

When determining whether the credit risk has increased significantly since initial recognition, the Group takes into account reasonable and supportable information (i.e., information obtained without undue cost or effort), including qualitative and quantitative information, and performs analysis based on the Group's past experience, credit assessment and forward-looking information.

When the contractual payments from customers in the manufacturing industry have become overdue for more than 30 days, the credit risks of such financial assets are deemed to have increased significantly.

When the contractual payments from customers in the manufacturing and retailing industries have become overdue for more than 120 days and 90 days, respectively; or the borrowers are unlikely to fulfill their obligations and make the payments in full, a default is deemed to have occurred.

For time deposits, the Group deals only with financial institutions that are rated the equivalent of investment grade or higher. Thus, the Group is deemed to have low credit risk.

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Expected credit loss is the probability-weighted estimate of credit losses during the expected life of financial instruments. Credit losses are measured as the present value of all cash shortfalls, i.e., the difference between the contractual cash flows and the cash flows the Group expects to receive.

The Group assesses whether financial assets at amortized cost are credit-impaired at each reporting date. When one or more events with adverse impact on the estimated future cash flows of financial assets have occurred, the financial assets are deemed as credit-impaired. Evidence of financial assets with credit impairment includes the following observable data:

- The borrower or the issuer has suffered significant financial difficulties;
- A breach of contract, such as delinquencies or past due for over 120 days;
- Concessions that would not otherwise have given by the Group due to economic or contractual reasons relating to the financial difficulties of borrower;
- The borrower is likely to declare bankruptcy or engage in other financial reorganization activities; or
- The disappearance of an active market for the financial assets due to financial difficulties

The loss allowance of financial assets at amortized cost is deducted from the carrying amount of the assets.

When the recovery of financial assets cannot be reasonably expected, the Group directly writes off the gross carrying amount of such financial assets in part or in full, depending on the circumstance. The Group assesses the timing and amount of the individual write-off based on whether a recovery can be reasonably expected. The Group does not expect a significant reversal of the amount written off. However, financial assets written off can still be subject to enforcement activities in order to comply with the Group's recovery procedures for overdue receivables.

(d) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive cash flows from the asset have expired, or the Group has transferred the financial asset as well as substantially all the risks and rewards associated with the ownership of the asset, or the Group has not transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control over the asset.

When the Group engages in a transfer of financial asset, if it has retained substantially all the risks and rewards of the asset transferred, the asset would continue to be recognized on the balance sheets.

B. Financial liabilities and equity instruments

(a) Classification of liability and equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

GENMONT BIOTECH INC. AND SUBSIDIARIES
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(b) Equity instruments

Equity instruments are contracts that represent residual interests after the Group deducts all of its liabilities from its assets. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issuance costs.

(c) Treasury shares

When the Company repurchases its own equity instruments, the consideration paid (including any directly attributable costs) is recognized as a deduction from equity. The shares repurchased are classified as treasury shares. Upon subsequent sale or reissuance of treasury shares, the consideration received is recognized as an increase in equity, and any difference arising from the transaction is recognized in capital surplus, or in retained earnings if the capital surplus is insufficient to offset the difference.

(d) Financial liabilities

Financial liabilities are classified as financial liabilities at amortized cost or financial liabilities at fair value through profit or loss. Financial liabilities held for trading, derivative instruments and financial liabilities designated as at fair value through profit or loss upon initial recognition are classified as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value with related gains or losses, including interest expenses, recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Upon derecognition, all gains and losses are also recognized in profit or loss.

(e) Derecognition of financial liabilities

Financial liabilities are derecognized when the obligations of the liabilities are discharged, cancelled or expired. Financial liabilities are also derecognized when their terms are modified and the cash flows as a result of the modification are significantly different from the original cash flows. New financial liabilities would be recognized at fair value based on the modified terms.

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

(f) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset with the net amount presented on the balance sheets only when the Group has a current and legally enforceable right to offset the recognized amounts and an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

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(8) Inventories

Inventories are valued at the lower of cost and net realizable value. Costs include expenses incurred for acquiring the inventories, production or process costs, and other costs incurred for bringing them to their present location and condition. Costs are calculated using the weighted average model. The costs of finished goods and work in progress include manufacturing overhead allocated based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

(9) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment are stated at cost (including capitalized borrowing costs), net of accumulated depreciation and accumulated impairment, if any.

Significant parts of property, plant and equipment with different useful lives are accounted for as a separate item (main component) of the property, plant and equipment.

Gains or losses on disposal of property, plant and equipment are recognized in profit or loss.

B. Subsequent costs

Expenditures incurred after initial recognition are capitalized only when future economic benefits associated are likely to flow to the Group.

C. Depreciation

Depreciation is calculated by deducting the residual value of the asset from its cost and recognized in profit or loss on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives for the current and comparative periods are as follows:

(a) Buildings	2~50 years
(b) Machinery and equipment	2~15 years
(c) Transportation equipment	4~8 years
(d) Office equipment	2~8 years
(e) Other equipment	2~10 years

The depreciation methods, useful lives and residual values of property, plant and equipment are reviewed on each reporting date with necessary adjustments.

(10) Leases

On the dates the contracts are established, the Group assesses whether the contracts are (or contain) leases. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is defined as (or contains) a lease.

The Company being a lessee

On the commencement date, the Group recognizes right-of-use assets and lease liabilities for all leases. The right-of-use assets are initially measured at cost which includes the initial

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measurement amount of lease liabilities, adjusted for lease payments made on or before the commencement date, initial direct costs incurred by the lessee, and estimated costs for the lessee to dismantle and remove the underlying asset and restore its original location or to restore the underlying asset to the conditions required by the lease terms and conditions, less any lease incentives received.

The right-of-use assets are subsequently depreciated on a straight-line basis from the commencement date to the end of underlying assets' useful lives or the end of lease terms, whichever is earlier. In addition, the Group regularly assesses the right-of-use assets for impairment and accounts for impairment loss incurred. When the lease liabilities are remeasured, the right-of-use assets are adjusted accordingly.

On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments. If the interest rate implicit in the lease can be readily determined, lease payments would be discounted using this rate. If the rate cannot be readily determined, the incremental borrowing rate of the Group would be used. In general, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities are as follows:

- A. Fixed payments, including in-substance fixed payments;
- B. Variable lease payments that are determined by an index or a rate and the initial measurement adopts the index or rate as at the commencement date;
- C. Amounts expected to be paid under residual value guarantees; and
- D. The exercise price or the penalties to be paid if the Group is reasonably certain to exercise the purchase or termination option.

After the commencement date, lease liabilities are measured using the effective interest method and remeasured when one of the following situations occurs:

- A. Changes in the index or rate used to determine the lease payments resulting in changes in future lease payments;
- B. Changes in the amount expected to be paid under residual value guarantees;
- C. Changes in the evaluation of purchase options;
- D. Changes in the assessments on whether the extension or termination option will be exercised, which lead to changes in the assessment of lease period;
- E. Changes in the assets, scope or other terms of the lease.

When the lease liabilities are remeasured due to changes in the index or rate used to determine the lease payments, amount of residual value guarantees, and assessment on purchase, extension or termination option as stated above, corresponding adjustments shall be made to the carrying amount of the right-of-use assets, or in profit and loss if the carrying amount of the right-of-use assets has been reduced to zero.

As for lease modifications which narrow the lease scope, the carrying amount of the right-of-use assets would be reduced to reflect the partial or full termination of leases and the differences between the decrease in the right-of-use assets and the remeasurement of lease liabilities are recognized in profit or loss.

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The Group presents right-of-use assets which do not qualified as an investment property and lease liabilities as separate line items on the balance sheets.

For contracts that contain lease and non-lease components, the Group allocates the consideration in the contracts to individual lease component on the basis of the relative stand-alone price. However, for the leases of land and buildings, the Group elects not to distinguish the non-lease component and accounts for both lease and non-lease components as a single lease component.

For short-term leases or leases of low value assets such as the leases for dormitories and other equipment, the Group elects not to recognize the right-of-use assets and lease liabilities. Instead, it adopts the straight-line basis to recognize the lease payments associated with those leases as expenses during the lease terms.

(11) Intangible assets

A. Recognition and measurement

Other than goodwill, intangible assets with finite useful lives are measured at cost, net of accumulated amortization and accumulated impairment. Expenditures associated with research activities are recognized in profit or loss as incurred.

B. Subsequent expenditures

Expenditures incurred after initial recognition are capitalized only when they can increase the future economic benefits of a particular asset. All other expenses are recognized in profit or loss as incurred, including internally generated goodwill and brands.

C. Amortization

Intangible assets of the Group are costs for computer software acquisition. Amortization is calculated by deducting the residual value of the assets from cost and recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets (2 to 10 years) from the date the assets are available for use.

The amortization methods, useful lives and residual values of intangible assets are reviewed by the Group on each reporting date with necessary adjustments.

(12) Impairment of non-financial assets

The Group assesses the carrying amount of its non-financial assets (other than inventories and deferred income tax assets) to determine whether there is any indication of impairment on each reporting date. If any such indication exists, the Group would estimate the recoverable amount of the assets.

For the purpose of impairment testing, assets are grouped into the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows of other assets or groups of assets.

The recoverable amount is the higher of the fair value net of costs of disposal and value in use of the asset or cash-generating unit (CGU). When assessing the value in use, estimated future cash flows are discounted to their present value by a pre-tax discount rate, which shall reflect the current market assessments on the time value of money and the risks specific to the asset or CGU.

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Impairment losses are recognized when the recoverable amount of an asset or a CGU is lower than its carrying amount.

Impairment losses are recognized immediately in profit or loss. They are allocated first to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

For non-financial asset other than goodwill, the reversal of previously recognized impairment loss is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

(13) Revenue recognition

Revenue from contracts with customers

Revenues are measured by the considerations the Group expects to be entitled to in exchange for goods transferred to the customers. The Group recognizes revenues when it satisfies performance obligations by transferring the control over the goods to the customers. Details on main revenue items are set out below:

A. Sale of goods

The Group manufactures and sells a variety of probiotic supplements. It recognizes revenue when the control over the products has been transferred, i.e., when the products are delivered to customers and the customers have full control over the channels and prices for selling the products. Also, there is no unfulfilled obligations which may affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to specific locations, the risks of obsolescence and loss have been transferred to customers and the customer has accepted the products in accordance with the sales contracts, or the acceptance provisions have lapsed, or the Group has objective evidence that all acceptance criteria have been satisfied.

The Group often offers sales allowances and discounts to customers based on the cumulative sales volume over a 12-month period. The Group recognizes revenue based on the contract prices, net of estimated allowances and discounts. Sales allowances and discounts are estimated by the expected value method based on past experience, and revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur. As of the reporting date, refund liabilities are recognized for the amounts expected to be paid to customers due to allowances and discounts in relation to sales made. The average collection terms for sales are set between 30 to 180 days, which are consistent with the industry practices; thus, financing components are not included.

The Group recognizes accounts receivable when products are delivered as the Group then has an unconditional right to collect the considerations.

B. Financing component

The Group expects the time between transferring goods and services to customers for contracts with customers and receiving payments for such goods and services to be less than one year. Thus, the Group does not adjust the transaction prices for the time value of money.

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(14) Employee benefits

A. Defined contribution plans

Obligations for contributions to the defined contribution plans are recognized as an expense when employees have rendered services entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

B. Defined benefit plans

The Group's net obligations in respect of defined benefit plans are calculated separately for each of the plan by discounting the amounts of future benefits earned by employees in the current or prior periods, net of the fair value of any plan assets.

Defined benefit obligations are calculated by qualified actuaries annually using the projected unit credit method. When the outcome may be beneficial to the Group, the asset recognized is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plans. When calculating the present value of economic benefits, the minimum funding requirements shall be considered.

Remeasurements of the net defined benefit liabilities, which include actuarial gains and losses, the return on plan assets (excluding interest) and changes to the effect of the asset ceiling (excluding interest), are recognized immediately in other comprehensive income and accumulated in retained earnings. The Group determines the net interest expense (income) of the net defined benefit liabilities (assets) by using the net defined benefit liabilities (assets) and discount rate at the beginning of the annual period. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When plans are amended or curtailed, the resulting changes in benefits that relate to past service costs or the gains or losses on curtailment are recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of defined benefit plans when the settlement occurs.

C. Short-term employee benefits

Short-term employee benefits are expensed when services are provided. Liabilities are recognized if the Group has a present legal or constructive obligation to pay as a result of past service provided by the employee and the obligation can be estimated reliably.

(15) Share-based payment transactions

The fair value of equity settled share-based payment arrangements as of the grant date is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards satisfying the service and non-market vesting conditions. The amount ultimately recognized is based on the number of awards which meet the service and non-market vesting conditions on the vesting date.

As for the non-vesting conditions of share-based payment awards, they are reflected in the fair value measurement of the share-based payment on the grant date and no true-up is required for the differences between expected and actual outcomes.

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The grant date of the Group's share-based payments is the date when the Group and its employees have reached a consensus on the subscription price and the number of shares for the subscription.

(16) Income tax

Income tax includes both current income tax and deferred income tax, which shall be recognized in profit or loss except for ones associated with business combinations or items recognized directly in equity or other comprehensive income.

Current income tax includes the expected tax payables or receivables calculated on the taxable profits (losses) for the year and any adjustment to the tax payables or receivables of prior years. The amount is the best estimate of the amount expected to be paid or received based on the tax rates that have been enacted or substantively enacted as of the reporting date.

Deferred income tax is the temporary difference between the carrying amounts of assets and liabilities and their tax bases at the reporting date. Deferred income tax is recognized for all temporary differences, except:

- A. Where the temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, (a) affects neither the accounting profit nor taxable profit (loss) and (b) does not give rise to equal taxable and deductible temporary differences;
- B. Where the temporary differences are associated with investments in subsidiaries, associates and joint ventures and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future; and
- C. Where the taxable temporary differences arise from the initial recognition of goodwill.

Deferred income tax assets are recognized for unused tax losses, carryforward of unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. Deferred income 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. The reductions may be reversed when it has become probable that there may be sufficient taxable profit available.

Deferred income tax is measured at the tax rates expected to apply upon the reversal of temporary differences, based on rates enacted or substantively enacted as of the reporting date.

Deferred income tax assets and liabilities are offset only when the following conditions are met:

- A. A legally enforceable right exists to set off current income tax assets against current income tax liabilities, and
- B. The deferred income tax assets and the deferred income tax liabilities relate to income tax levied by the same taxation authority on either:
 - (a) The same taxable entity; or
 - (b) Different taxable entities which intend to settle current income tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period where significant amounts of deferred income tax assets or liabilities are expected to be recovered or settled, respectively.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(17) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders. Basic earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, including share options granted to employees and employee compensation which may be distributed in the form of share.

(18) Operating segments

Operating segments are components of the Group. They engage in operating activities which may generate revenues and incur expenses (including income and expenses associated with transactions with other components of the Group). Operating results of all operating segments are regularly reviewed by the Group's chief business decision maker to make decisions on resource allocation and to assess their performance. Each operating segment has its own standalone financial information.

5. Significant Accounting Judgments and Major Sources of Estimation and Uncertainty

The preparation of the consolidated financial statements requires management to make judgments and estimates regarding the future (including climate-related risks and opportunities), which would affect the adoption of accounting policies as well as the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from the estimates.

Management continuously reviews estimates and underlying assumptions to ensure consistency with the Company's risk management and climate-related commitments. Changes in estimates are recognized prospectively in the period of change and future periods affected.

Accounting policies which involve significant judgement and have significant effect on amounts recognized in the consolidated financial statements are ones associated with the determination of lease term.

When determining the lease term, it shall be the non-cancellable period together with periods covered by an option to extend the lease where the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease where the lessee is reasonably certain not to exercise that option. When the Group assesses whether the lessee would exercise the aforementioned options, it would consider all relevant facts and circumstances which would generate economic incentives to the lessee. The lease term is reassessed when a significant event or a significant change in circumstances occurs, that is within the control of the lessee and affects whether the lessee is reasonably certain to exercise an option or not to exercise an option after the commencement date. Changes in the assessment of lease term would lead to remeasurements of lease liabilities and adjustments to the right-of-use assets. Please refer to Note 6(8) and (12) for details.

Assumptions and estimation uncertainties which have significant risks of resulting in material adjustments to the carrying amounts of assets in the following financial year are set out below:

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(1) Assessment of inventory obsolescence loss

Since inventories must be valued at the lower of cost and net realizable value, the Group assesses the value of inventories for normal loss, obsolescence and unavailability of market prices on the reporting date and writes down the cost of inventories to net realizable value. The assessment of inventory obsolescence loss may be significantly affected by subsequent market supply and demand. For details on the subsequent measurement of inventories, please refer to Note 6(5) for details.

(2) Assessment on impairment of long-term non-financial assets

During the assessment on asset impairment, the Group determines the recoverable amount of specific asset group based on the assessment carried out by external experts. Changes in experts' assumptions and judgements could result in significant impairment loss in the future. Please refer to Note 6(7) & (8) for the impairment assessment of long-term non-financial assets.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash on hand and petty cash	\$ 162	169
Checking and demand deposits	103,570	110,344
Cash and cash equivalents on the consolidated statements of cash flows	\$ 103,732	110,513

Please refer to Note 6(20) for disclosures on foreign currency risk and sensitivity analysis of the Group's financial assets.

(2) Financial assets at fair value through profit or loss

	December 31, 2025	December 31, 2024
Financial assets mandatorily at fair value through profit or loss - non-current		
Shares listed on Taipei Exchange (TPEX)	\$ -	6,090

Please refer to Note 6(19) for remeasurements at fair value recognized in profit or loss.

Please refer to Note 6(21) for market risk information.

The aforementioned financial assets were not pledged.

(3) Financial assets at amortized cost

	December 31, 2025	December 31, 2024
Time deposits with maturities of more than three months	\$ 261,624	248,130

Upon assessment, such assets are held to collect its contractual cash flows at maturity and the cash flows generated are solely payments of principal and interest on the outstanding principal. Thus, they are recognized as financial assets at amortized cost.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Please refer to Note 6(21) for credit risk information.

The aforementioned financial assets were not pledged.

(4) Notes and accounts receivable

	December 31, 2025	December 31, 2024
Notes receivable - from operation	\$ 3,745	5,197
Accounts receivable - at amortized cost	45,308	28,574
Less: Loss allowance	(2,897)	(2,172)
	\$ 46,156	31,599

The Group adopts the simplified approach for the estimation of expected credit losses for all notes and accounts receivables, i.e., the use of lifetime expected credit loss. For measurement purpose, notes and accounts receivables are grouped based on their common credit risk characteristics which represent the customers' abilities to meet all payment obligations according to the contracts. Forward-looking information has also been taken into consideration.

Analysis on the expected credit losses of notes and accounts receivables from customers in the manufacturing industry was as follows:

	December 31, 2025		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 21,225	0%~3.09%	499
1 to 30 days	7,701	24.70%	1,902
31 to 60 days	23	32.23%	7
61 to 90 days	273	63.48%	174
91 to 120 days	26	100%	26
Over 121 days	42	100%	42
	\$ 29,290		2,650

	December 31, 2024		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 19,883	0%~2.97%	448
1 to 30 days	3,631	25.08%	910
61 to 90 days	12	63.97%	8
91 to 120 days	500	93.31%	466
Over 121 days	144	100%	144
	\$ 24,170		1,976

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Analysis on the expected credit losses of notes and accounts receivables from customers in the retailing industry was as follows:

	December 31, 2025		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 18,548	0%	-
1 to 90 days	968	0%	-
Over 91 days	247	100%	247
	\$ 19,763		247

	December 31, 2024		
	Carrying Amount of Notes and Accounts Receivables	Weighted-average Expected Credit Loss Rate	Lifetime Expected Credit Loss
Not past due	\$ 8,592	0%~0.01%	1
1 to 90 days	815	0.06%	1
Over 91 days	194	100%	194
	\$ 9,601		196

Movements in the loss allowances of notes and accounts receivables were as follows:

	Years Ended December 31	
	2025	2024
Beginning balance	\$ 2,172	2,688
Reversal of impairment loss	725	(516)
Ending balance	\$ 2,897	2,172

The aforementioned financial assets were not discounted nor pledged as collateral.

(5) Inventories

	December 31, 2025	December 31, 2024
Raw materials	\$ 17,905	22,861
Work in progress	40,819	44,884
Finished goods	11,662	9,923
	\$ 70,386	77,668

Details of the Group's operating costs were as follows:

	Years Ended December 31	
	2025	2024
Transfers from inventories sold	\$ 139,841	133,926
(Reversal of) inventory write-downs	(339)	92
Unallocated manufacturing overhead	10,033	12,135
Inventory losses from obsolescence	250	1,247
Gain on physical inventory	(190)	(206)
Total	\$ 149,595	147,194

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

The Group's inventories were not pledged.

(6) Material non-controlling interests of subsidiary

Non-controlling interests of subsidiary that were material to the Group were as follows:

<u>Subsidiary</u>	<u>Main Operation Location (Country of Registration)</u>	<u>% of Ownership and Voting Rights of Non-controlling Interests</u>	
		<u>December 31, 2025</u>	<u>December 31, 2024</u>
GenMont (China)	Mainland China	15%	15%

Summarized financial information of the aforementioned subsidiary was set out below. The financial information was prepared in accordance with the IFRSs endorsed by the FSC and reflected the Group's fair value adjustments and adjustments for differences in accounting policies as at the acquisition date. Intra-group transactions were not eliminated in the amounts presented.

Summarized financial information of GenMont (China):

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current assets	\$ 39,010	56,083
Non-current assets	857,194	905,928
Current liabilities	(58,979)	(60,129)
Non-current liabilities	(44,896)	(49,227)
Net assets	\$ 792,329	852,655
Ending balance of non-controlling interests	\$ (118,849)	127,898

	<u>Years Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Operating revenue	\$ 46,685	40,209
Net loss	\$ (61,441)	(63,335)
Other comprehensive income	1,116	30,558
Total comprehensive income (loss)	\$ (60,325)	(32,777)
Net loss attributable to non-controlling interests	\$ (9,216)	(9,500)
Total comprehensive income (loss) attributable to non-controlling interests	\$ (9,049)	(4,917)

	<u>Years Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Cash used in operating activities	\$ (3,922)	(8,959)
Cash generated by (used in) investing activities	503	(41,375)
Cash (used in) generated by financing activities	(6,332)	58,505
Effect of exchange rate changes	(322)	154
(Decrease) increase in cash and cash equivalents	\$ (10,073)	8,325
Dividends paid to non-controlling interests	\$ -	-

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(7) Property, plant and equipment

Movements in the costs and accumulated depreciation of the Group's property, plant and equipment were as follows:

	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Other Equipment	Unfinished Construction and Equipment Awaiting Acceptance	Total
Costs:							
Balance as of January 1, 2025	\$ 923,191	457,056	5,453	6,827	20,146	20	1,412,693
Addition	-	1,305	-	2,017	-	233	3,555
Disposal	-	(1,592)	-	(84)	(60)	-	(1,736)
Reclassification	-	-	-	72	180	(252)	-
Effect of exchange rate changes	3,023	951	10	17	41	(1)	4,041
Balance as of December 31, 2025	\$ 926,214	457,720	5,463	8,849	20,307	-	1,418,553
Balance as of January 1, 2024	\$ 886,138	450,160	5,369	6,696	19,488	29	1,367,880
Addition	127	448	-	-	439	12,026	13,040
Disposal	-	(1,528)	-	(30)	(175)	-	(1,733)
Reclassification	11,903	-	-	40	92	(12,035)	-
Effect of exchange rate changes	25,023	7,976	84	121	302	-	33,506
Balance as of December 31, 2024	\$ 923,191	457,056	5,453	6,827	20,146	20	1,412,693
Accumulated depreciation:							
Balance as of January 1, 2025	\$ 191,710	223,239	4,328	5,995	15,204	-	440,476
Depreciation	29,386	30,688	467	635	1,638	-	62,814
Disposal	-	(1,591)	-	(84)	(60)	-	(1,735)
Effect of exchange rate changes	1,288	964	19	28	71	-	2,370
Balance as of December 31, 2025	\$ 222,384	253,300	4,814	6,574	16,853	-	503,925
Balance as of January 1, 2024	\$ 158,817	190,333	3,786	5,186	13,541	-	371,663
Depreciation	31,161	33,444	485	763	1,693	-	67,546
Disposal	-	(1,528)	-	(30)	(157)	-	(1,715)
Effect of exchange rate changes	1,732	990	57	76	127	-	2,982
Balance as of December 31, 2024	\$ 191,710	223,239	4,328	5,995	15,204	-	440,476
Carrying amount:							
December 31, 2025	\$ 703,830	204,420	649	2,275	3,454	-	914,628
December 31, 2024	\$ 731,481	233,817	1,125	832	4,942	20	972,217
January 1, 2024	\$ 727,321	259,827	1,583	1,510	5,947	29	996,217

The Group's property, plant and equipment were not pledged.

The Group performed impairment testing on property, plant and equipment as there was an indication of impairment as of December 31, 2025 and 2024. As the recoverable amounts of property, plant and equipment of CGUs were all higher than their carrying amounts, impairment loss was not recognized.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(8) Right-of-use assets

Movements in the costs and accumulated depreciation of right-of-use assets leased by the Group were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Transportation Equipment</u>	<u>Total</u>
Costs of right-of-use assets:				
Balance as of January 1, 2025	\$ 74,511	7,233	1,380	83,124
Variable lease payments	-	20	-	20
Addition	-	677	-	677
Effect of exchange rate changes	141	-	-	141
Balance as of December 31, 2025	<u>\$ 74,652</u>	<u>7,930</u>	<u>1,380</u>	<u>83,962</u>
Balance as of January 1, 2024	\$ 71,975	5,237	1,380	78,592
Variable lease payments	1,354	-	-	1,354
Addition	-	1,996	-	1,996
Effect of exchange rate changes	1,182	-	-	1,182
Balance as of December 31, 2024	<u>\$ 74,511</u>	<u>7,233</u>	<u>1,380</u>	<u>83,124</u>
Accumulated depreciation of right-of-use assets				
Balance as of January 1, 2025	\$ 12,357	5,545	603	18,505
Depreciation	1,642	1,590	518	3,750
Effect of exchange rate changes	45	-	-	45
Balance as of December 31, 2025	<u>\$ 14,044</u>	<u>7,135</u>	<u>1,121</u>	<u>22,300</u>
Balance as of January 1, 2024	\$ 10,553	4,069	86	14,708
Depreciation	1,660	1,476	517	3,653
Effect of exchange rate changes	144	-	-	144
Balance as of December 31, 2024	<u>\$ 12,357</u>	<u>5,545</u>	<u>603</u>	<u>18,505</u>
Carrying amount:				
December 31, 2025	<u>\$ 60,608</u>	<u>795</u>	<u>259</u>	<u>61,662</u>
December 31, 2024	<u>\$ 62,154</u>	<u>1,688</u>	<u>777</u>	<u>64,619</u>
January 1, 2024	<u>\$ 61,422</u>	<u>1,168</u>	<u>1,294</u>	<u>63,884</u>

The Group performed impairment testing on right-of-use assets as there was an indication of impairment as of December 31, 2025 and 2024. As the recoverable amounts of right-of-use assets of CGUs were all higher than their carrying amounts, impairment loss was not recognized.

(9) Short-term borrowings

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Secured bank borrowings	<u>\$ 23,501</u>	<u>20,478</u>
Unused line of credit	<u>\$ 33,459</u>	<u>24,302</u>
Interest rate range (%)	<u>3.55%</u>	<u>3.65%~3.9%</u>

Please refer to Note 8 for details on assets pledged as collateral for bank borrowings.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(10) Long-term borrowings

	December 31, 2025			
	Currency	Interest Rate Range	Year of Maturity	Amount
Secured bank borrowings	RMB	3.7%	2027~2028	\$ 52,206
Less: Current portion				(7,310)
Total				\$ 44,896
Unused line of credit				\$ -

	December 31, 2024			
	Currency	Interest Rate Range	Year of Maturity	Amount
Secured bank borrowings	RMB	3.8%~4.15%	2026~2027	\$ 61,469
Less: Current portion				(12,242)
Total				\$ 49,227
Unused line of credit				\$ 10,792

Please refer to Note 8 for details on assets pledged as collateral for bank borrowings.

(11) Refund liabilities

	December 31, 2025	December 31, 2024
Refund liabilities - current	\$ 1,577	3,165

Refund liabilities are recognized for the amounts expected to be paid to customers due to possible returns as well as allowances and discounts in relation to sales made. Based on past records of sales returns as well as allowances and discounts, the Group expects such liabilities to take place mainly in the year of sales or the following year.

(12) Lease liabilities

Carrying amount of lease liabilities was as follows:

	December 31, 2025	December 31, 2024
Current	\$ 1,759	2,404
Non-current	\$ 32,841	34,261

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

Amounts recognized in profit or loss were as follows:

	Years Ended December 31	
	2025	2024
Interest expense of lease liabilities	\$ 897	909
Expenses relating to short-term leases or leases of low value assets	\$ 88	166

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Amounts recognized in statements of cash flows were as follows:

	Years Ended December 31	
	2025	2024
Total cash outflows of leases	\$ 3,747	3,720

A. Leases of land and buildings

The Group leases land and building for factories and warehouses. Lease terms range between one to fifty years. Some leases contain the option to extend the lease term. When the Group is not reasonably certain that it would exercise the option to extend the lease term, payments associated with the extension period covered by the option would not be included in the lease liabilities.

B. Other leases

The Group leases transportation equipment with a term of three years.

Also, the Group leases dormitories and other equipment. Such leases are classified as short-term leases or leases of low value assets. The Group elects to adopt the exemption rule and not to recognize relevant right-of-use assets and lease liabilities.

(13) Employment benefits

A. Defined benefit plan

The reconciliation of the present value of defined benefit obligations and the fair value of plan assets was as follows:

	December 31, 2025	December 31, 2024
Present value of defined benefit obligations	\$ 2,674	3,066
Fair value of plan assets	(11,964)	(11,362)
Net defined benefit assets	\$ (9,290)	(8,296)

For the defined benefit plan, the Group makes contributions to the pension fund deposited with the Bank of Taiwan. Pursuant to the Labor Standards Act, pension benefits are calculated based on the number of units earned during the years of service and the average monthly salaries of the six months before retirement.

Contributions deposited by the Group in the pension fund account with the Bank of Taiwan have been sufficient for a suspension of contributions. Pursuant to the “Regulations for the Allocation and Management of the Workers’ Retirement Reserve Funds”, the Group has been approved by the pension fund supervisory committee to suspend the contributions from July 1, 2023 to June 30, 2026 on June 5, 2025, June 17, 2024 and May 24, 2023 and has obtained the approval letter from the Southern Taiwan Science Park Bureau on June 18, 2025, June 24, 2024 and June 14, 2023, respectively.

(a) Composition of plan assets

The pension fund under the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”). According to the “Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund,” the minimum earnings from the fund are guaranteed to be no less than the earnings

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attainable from local banks' two-year time deposits.

As of December 31, 2025 and 2024, the balances of the Group's pension fund accounts with the Bank of Taiwan amounted to NT\$11,964 thousand and NT\$11,362 thousand, respectively. Information concerning the use of funds, including the fund yields and asset allocation, is available at the Bureau's official website.

(b) Movements in the present value of defined benefit obligations

Movements in the present value of the Group's defined benefit obligations were as follows:

	Years Ended December 31	
	2025	2024
Defined benefit obligations as of January 1	\$ 3,066	2,988
Current service costs and interests	48	36
Remeasurement of net defined benefit assets	(77)	42
Plan benefits paid	(363)	-
Defined benefit obligations as of December 31	\$ 2,674	3,066

(c) Movements in the fair value of plan assets

Movements in the fair value of the Group's defined benefit plan assets were as follows:

	Years Ended December 31	
	2025	2024
Fair value of plan assets as of January 1	\$ 11,362	10,325
Interest income	182	124
Remeasurement of net defined benefit assets	783	913
Plan benefits paid	(363)	-
Fair value of plan assets as of December 31	\$ 11,964	11,362

(d) Expenses recognized in profit or loss

Details of deductions in expenses were as follows:

	Years Ended December 31	
	2025	2024
Net interests on net defined benefit assets	\$ (134)	(88)
Deductions in general and administrative expenses	\$ (134)	(88)

(e) Actuarial assumptions

Principal actuarial assumptions used in determining the present value of the defined benefit obligations as at the reporting date were as follows:

	December 31,	December 31,
	2025	2024
Discount rate	1.40%	1.60%
Expected rate of salary increases	2.00%	2.00%

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The Group's contributions to the defined benefit plan within one year after the reporting date of 2025 amounted to NT\$0 thousand. The weighted-average duration of defined benefit plan was 10 years.

(f) Sensitivity analysis

The impact of changes in the principal actuarial assumptions on the present value of the defined benefit obligations as of December 31, 2025 and 2024 was as follows:

	Impact on Defined Benefit Obligations	
	0.25% Increase	0.25% Decrease
December 31, 2025		
Discount rate	\$ (60)	55
Expected rate of salary increases	62	(54)
December 31, 2024		
Discount rate	\$ (70)	72
Expected rate of salary increases	64	(63)

The sensitivity analysis above was based on the impact of changes in a single assumption while all other assumptions remain constant. In practice, it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The method adopted for the sensitivity analysis is consistent with the calculation of net pension liabilities on the balance sheets.

The method and assumptions adopted for the preparation of sensitivity analysis in the current period were the same as the ones for the prior period.

B. Defined contribution plan

For the defined contribution plan, the Company makes monthly contributions equal to 6% of each employee's monthly salary to the employees' individual pension accounts at the Bureau of Labor Insurance pursuant to the Labor Pension Act. Other than the contributions of a fixed amount to the Bureau of Labor Insurance under the plan, the Company has no legal or constructive obligations to make additional payments.

The Group's pension expenses under the defined contribution plan amounted to NT\$4,367 thousand and NT\$4,252 thousand for the years ended December 31, 2025 and 2024, respectively.

The subsidiary, GenMont (China), adopts the defined contribution plans pursuant to local laws and regulations. Its pension expenses amounted to NT\$1,180 thousand and NT\$1,168 thousand for the years ended December 31, 2025 and 2024, respectively.

(14) Income tax

A. Income tax expense

Details of the Group's income tax expense were as follows:

	Years Ended December 31	
	2025	2024
Current income tax expense		
Current period	\$ 23,521	23,148

(Continued)

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	Years Ended December 31	
	2025	2024
Adjustments on prior periods	\$ (69)	2
	23,452	23,150
Deferred income tax benefit Origination and reversal of temporary differences	(7,754)	(6,182)
Income tax expense	\$ 15,698	16,968

(Concluded)

- B. Income tax expense (benefit) recognized in other comprehensive income was as follows:

	Years Ended December 31	
	2025	2024
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit plan	\$ 172	174
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	\$ 190	5,195

- C. No income tax expense was recognized directly in equity for the years ended December 31, 2025 and 2024.

- D. The reconciliation of income tax expense and profit before income tax was as follows:

	Years Ended December 31	
	2025	2024
Profit before income tax	\$ 63,680	64,719
Income tax expense at the statutory rate of the Company	\$ 12,736	12,944
Effect of tax rates in foreign jurisdictions	(2,611)	(2,692)
Share of loss of subsidiaries accounted for using the equity method	(10,445)	(10,767)
Tax-exempt dividend income	(66)	(66)
Unrealized (gain) loss on financial assets at fair value through profit or loss	(803)	246
Loss carryforwards with unrecognized deferred income tax assets	12,751	12,735
Adjustments on prior years	(69)	2
Non-deductible expenses	2,057	1,942
Others	2,148	2,624
Income tax expense	\$ 15,698	16,968

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E. Deferred income tax assets and liabilities

(a) Unrecognized deferred income tax assets

The Group did not recognize deferred income tax assets for items below:

	December 31, 2025	December 31, 2024
Loss carryforwards	\$ 300,619	237,491

According to local income tax laws, loss carryforwards may be deducted from taxable income. Deferred income tax assets were not recognized for loss carryforwards as, upon assessment, it was no longer probable that sufficient taxable profit will be available in the foreseeable future.

As of December 31, 2025, the expiry years of GenMont (China)'s loss carryforwards with unrecognized deferred income tax assets were as follows:

Year of Loss	Loss Carry forwards	Expiry Year
2021	\$ 23,547	2026
2022	67,799	2027
2023	76,824	2028
2024	68,696	2029
2025	63,753	2030
	\$ 300,619	

(b) Deferred income tax assets and liabilities

Movements in the deferred income tax assets and liabilities recognized by the Group were as follows:

Deferred income tax assets:

	Unrealized Investment Loss	Refund Liabilities	Inventory Loss Allowance	Unrealized Exchange Gain (Loss)	Others	Total
Balance as of January 1, 2025	\$ 39,079	633	223	-	2,106	42,041
Credit (debit) profit or loss	10,445	(317)	(68)	-	(73)	9,987
Exchange differences on translation of foreign operations	(190)	-	-	-	-	(190)
Balance as of December 31, 2025	\$ 49,334	316	155	-	2,033	51,838
Balance as of January 1, 2024	\$ 33,507	1,986	204	1,716	2,291	39,704
Credit (debit) profit or loss	10,767	(1,353)	19	(1,716)	(185)	7,532
Exchange differences on translation of foreign operations	(5,195)	-	-	-	-	(5,195)
Balance as of December 31, 2024	\$ 39,079	633	223	-	2,106	42,041

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

Deferred income tax liabilities:

	Defined Benefit Plan	Unrealized Exchange Gain	Total
Balance as of January 1, 2025	\$ 1,782	1,332	3,114
Credit (debit) profit or loss	26	2,207	2,233
Debit other comprehensive income	172	-	172
Balance as of December 31, 2025	\$ 1,980	3,539	5,519
Balance as of January 1, 2024	\$ 1,590	-	1,590
Credit (debit) profit or loss	18	1,332	1,350
Debit other comprehensive income	174	-	174
Balance as of December 31, 2024	\$ 1,782	1,332	3,114

F. Assessment of income tax returns

As of December 31, 2025, the Company's income tax returns were assessed and approved up to 2023.

(15) Share capital and other equity

As of December 31, 2025 and 2024, the Company's authorized capital amounted to NT\$1,000,000 thousand, with a par value of NT\$10 per share. The authorized capital consists entirely of ordinary shares, and the total number of issued shares was 86,010 thousand and 86,511 thousand, respectively.

A. Cancellation of ordinary shares

The Company's board of directors resolved on August 8, 2025 to cancel 501 thousand treasury shares, with a par value of NT\$10 per share. Following the cancellation, the Company's paid-in capital amounted to NT\$860,104 thousand. The record date for the capital reduction was August 15, 2025.

B. Capital surplus

Details of capital surplus were as follows:

	December 31, 2025	December 31, 2024
Premium from share issuance	\$ 338,300	340,270
Expired share options	13,474	13,474
	\$ 351,774	353,744

According to the Company Act, capital surplus shall first be used to offset a deficit. Next, the realized capital surplus may be distributed as stock dividends or cash dividends by the original ownership percentages of shareholders. The so-called realized capital surplus includes income derived from issuance of new shares at a premium and income from endowments received by the Company. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital surplus transferred to capital is limited to 10% of the Company's paid-in capital annually.

The Company resolved to distribute capital surplus of NT\$17,202 thousand as cash dividends (NT\$0.20 per share) in the board of directors' meeting on March 9, 2026.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

The Company resolved to distribute capital surplus of NT\$23,358 thousand as cash dividends (NT\$0.27 per share) in the board of directors' meeting on March 7, 2024.

C. Retained earnings

In accordance with the Company's Articles of Incorporation, where the Company makes a profit in a fiscal year, the profit shall first be utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, and setting aside or reversing a special reserve in accordance with the laws and regulations. Any remaining profit together with any undistributed earnings from the previous year shall then be resolved in the shareholders' meeting for distribution of bonus to shareholders. However, stock dividends shall not exceed 50% of the total dividends. The Company authorizes the board of directors to distribute dividends, bonuses, legal reserves and capital surplus, in whole or in part, in the form of cash, with the approval of a majority of attending directors at a meeting attended by at least two-third of all directors. Such distribution shall be reported to the shareholders' meeting.

(a) Legal reserve

According to the Company Act, if the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash upon a resolution of the shareholders' meeting.

(b) Special reserve

The FSC requires that when distributing distributable earnings, the Company shall set aside a special reserve equivalent to the net debit balance of other shareholders' equity of the year. This reserve shall be deducted from the net income of the current period, plus amounts other than net income that are included in the undistributed earnings of the period, as well as the undistributed earnings of prior periods. For deductions to other shareholders' equity from prior periods, the special reserve appropriated from the undistributed earnings of those periods shall not be distributed. If such deductions are reversed in later periods, the amount of the subsequent reversals may be distributed as earnings.

(c) Earnings distribution

On March 10, 2025, and March 7, 2024, the Company's board of directors approved the cash dividend distributions for 2024 and 2023, respectively. The amounts to be distributed to shareholders were as follows:

	Years Ended December 31	
	2024	2023
Dividends to ordinary shareholders:		
Cash	\$ 69,209	19,898

Cash dividends to shareholders in the 2025 earnings distribution proposal approved in the board of directors' meeting on March 9, 2026 were as follows:

	2025
Dividends to ordinary shareholders:	
Cash	\$ 51,606

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(d) Treasury shares

In 2025, the Company repurchased 501 thousand of its own shares as treasury shares in accordance with Article 28-2 of the Securities and Exchange Act to safeguard the Company's credit standing and shareholders' interests. As of December 31, 2025, all of the aforementioned treasury shares had been canceled. There were no such transactions in 2024.

Movements in treasury shares were as follows:

	2025	
	Shares (In thousands)	Amount
Beginning balance	-	\$ -
Repurchase of treasury shares	501	10,334
Cancellation of treasury shares	(501)	(10,334)
Ending balance	-	\$ -

Treasury shares held by the Company are not entitled to shareholders' rights prior to transfer in accordance with the Company Act.

(e) Other equity (net of tax)

	Exchange Differences on Translation of Foreign Operations
Balance as of January 1, 2025	\$ 4,904
Exchange differences on translation of the net assets of foreign operations	759
Balance as of December 31, 2025	\$ 5,663
Balance as of January 1, 2024	\$ (15,876)
Exchange differences on translation of the net assets of foreign operations	20,780
Balance as of December 31, 2024	\$ 4,904

(16) Earnings per share (EPS)

The calculation of basic and diluted EPS was as follows:

	For shares: In thousand shares Years Ended December 31	
	2025	2024
Basic EPS:		
Net income attributable to ordinary shareholders of the Company	\$ 57,198	57,251
Weighted average no. of ordinary shares outstanding	86,266	86,511
Basic EPS (NT\$)	\$ 0.66	0.66

(Continued)

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

	Years Ended December 31	
	2025	2024
Diluted EPS:		
Net income attributable to ordinary shareholders of the Company	\$ 57,198	57,251
Weighted average no. of ordinary shares outstanding	86,266	86,511
Effect of dilutive potential ordinary shares		
Compensation to employees	258	215
Weighted average no. of ordinary shares outstanding (diluted)	86,524	86,726
Diluted EPS (NT\$)	\$ 0.66	0.66
		(Concluded)

(17) Revenue from contracts with customers

A. Disaggregation of revenue

	Years Ended December 31	
	2025	2024
Main geographical markets		
Taiwan	\$ 199,527	191,419
Singapore	43,487	69,597
Mainland China	111,023	78,425
Others	47,192	45,932
	\$ 401,229	385,373
Main products/services		
Selling of functional foods	\$ 401,229	385,373

B. Contract balances

	December 31, 2025	December 31, 2024	January 1, 2024
Notes receivable	\$ 3,745	5,197	6,196
Accounts receivable	45,308	28,574	34,722
Less: Loss allowance	(2,897)	(2,172)	(2,688)
Total	\$ 46,156	31,599	38,230
Contract liabilities	\$ 22,039	40,049	33,977
Refund liabilities	\$ 1,577	3,165	9,932

Please refer to Note 6(4) for disclosures on notes and accounts receivables as well as relevant impairment.

The beginning balances of contract liabilities reclassified to revenue amounted to NT\$32,979 thousand and NT\$26,445 thousand for the years ended December 31, 2025 and 2024, respectively.

Movements in contract liabilities mainly come from the timing difference between the time when the Group transfers goods to its customers and satisfies its performance obligations and the time when customers make the payments.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(18) Compensation to employees and remuneration to directors

Pursuant to a resolution of the shareholders' meeting on May 28, 2025, the Company amended its Articles of Incorporation. In accordance with the amended Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall be between 2% and 10% of the balance (of which not less than 50% shall be allocated to non-executive employees), and the remuneration to directors shall not be higher than 5% of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors. Prior to the amendments, the Articles of Incorporation state that when the Company makes a profit for the year, the compensation to employees shall be between 2% and 10% of the balance and the remuneration to directors shall not be higher than 5% of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors.

The Company accrued NT\$4,089 thousand and NT\$4,012 thousand as compensation to employees and NT\$2,045 thousand and NT\$2,006 thousand as remuneration to directors for the years ended December 31, 2025 and 2024, respectively. The amounts accrued were calculated by multiplying the net profit before income tax, compensation to employees, and remuneration of directors of respective periods by the accrual rates stated in the Company's Articles of Incorporation and recognized as operating costs or operating expenses for the respective years. If the actual payments in the following year differ from the accrued amounts, the difference is recognized as a change in the accounting estimate in profit or loss. For the years ended December 31, 2025 and 2024, there was no difference between the accrued amounts and the amounts approved by the board of directors. Relevant information is available at the Market Observation Post System website.

(19) Non-operating income and expenses

A. Interest income

Details of interest income were as follows:

	Years Ended December 31	
	2025	2024
Interests on bank deposits	\$ 7,055	11,269

B. Other gains and losses

Details of other gains and losses were as follows:

	Years Ended December 31	
	2025	2024
Loss on disposal of property, plant and equipment	\$ (1)	(18)
Foreign exchange (loss) gain	(2,997)	17,054
Gain (loss) on financial assets at fair value through profit or loss	4,016	(1,230)
Dividend income	330	330
Others	1,441	398
Total	\$ 2,789	16,534

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

C. Finance costs

Details of finance costs were as follows:

	Years Ended December 31	
	2025	2024
Interest expense		
Bank borrowings	\$ (3,018)	(2,809)
Lease liabilities	(897)	(909)
Total	\$ (3,915)	(3,718)

(20) Financial instruments

A. Credit risk

(a) Maximum exposure to credit risk

Carrying amount of financial assets represented the maximum credit risk exposure of the Group.

(b) Credit risk concentration

The Group has a broad customer base; therefore, credit risk arising from accounts receivable is not significantly concentrated with any single customer. However, as of December 31, 2025, due to certain non-recurring factors, approximately 49% of the accounts receivable balance was attributable to two customers. The Group did not incur any significant credit losses from these customers during the reporting period. To lower the credit risk, the Group also regularly reviews the financial status of customers. However, customers are not required to provide collateral in general.

(c) Credit risk of receivables

Please refer to Note 6(4) for credit risk exposures of notes and accounts receivables as well as the provision of loss allowance.

Financial assets at amortized cost and other receivables are financial assets with low credit risk. Thus, their loss allowance equals 12-month expected credit loss. For the years ended December 31, 2025 and 2024, there was no provision nor reversal of loss allowances.

B. Liquidity risk

The table below shows the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1~2 Years	2~5 Years	Over 5 Years
December 31, 2025						
Non-derivative financial liabilities						
Non-interest-bearing liabilities	\$ 50,858	50,858	50,858	-	-	-
Floating-rate instruments	75,707	79,626	32,872	14,664	32,090	-
Lease liabilities	34,600	50,157	2,603	1,526	4,577	41,451
Guarantee deposits received	2,318	2,318	-	-	2,318	-
	\$ 163,483	182,959	86,333	16,190	38,985	41,451

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

	Carrying Amount	Contractual Cash Flows	Within 1 Year	1~2 Years	2~5 Years	Over 5 Years
December 31, 2024						
Non-derivative financial liabilities						
Non-interest-bearing liabilities	\$ 49,620	49,620	49,620	-	-	-
Fixed-rate instruments	81,947	85,735	35,196	42,335	8,204	-
Lease liabilities	36,665	53,115	3,299	2,263	4,577	42,976
Guarantee deposits received	2,318	2,318	-	-	2,318	-
	\$ 170,550	190,788	88,115	44,598	15,099	42,976

The Group does not expect the cash flows in the maturity analysis would occur significantly earlier or at significantly different amounts.

C. Foreign currency risk

(a) Exposure to foreign currency risk

Details of the Group's exposure to significant foreign currency risk were as follows:

	December 31, 2025			December 31, 2024		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 560	31.430	17,596	4,754	32.785	155,874
EUR	547	36.90	20,173	546	34.14	18,644
RMB	69,211	4.496	311,174	53,881	4.478	241,279
<u>Non-monetary items</u>						
RMB	149,795	4.496	673,479	161,848	4.478	724,757
<u>Financial liabilities</u>						
<u>Monetary items</u>						
EUR	546	36.90	20,147	546	34.14	18,640

(b) Sensitivity analysis

Foreign currency risk of the Group's monetary items mainly comes from cash and cash equivalents, financial assets at amortized cost, accounts receivables and other financial assets denominated in foreign currencies which result in exchange gains or losses upon translation. For the years ended December 31, 2025 and 2024, a 1% depreciation or appreciation of the New Taiwan dollar against foreign currencies (U.S. dollar, Euro and Renminbi), assuming all other factors remained constant, would have resulted in an increase or decrease of NT\$3,288 thousand and NT\$3,972 thousand, respectively, in profit before income tax. The analysis of both periods adopted the same basis.

(c) Foreign exchange gains or losses on monetary items

The exchange gains and losses (including realized and unrealized) arising from the translation of the Group's monetary items into its functional currency are as follows:

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

	Years Ended December 31			
	2025		2024	
	Foreign Exchange Gain (Loss)	Average Exchange Rate	Foreign Exchange Gain (Loss)	Average Exchange Rate
New Taiwan dollar	\$ (1,385)	-	16,234	-
Renminbi	(1,612)	4.333	820	4.454
	\$ (2,997)		17,054	

D. Interest rate risk

Please refer to the notes on liquidity risk management for interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to the interest rates risk of derivative and non-derivative financial instruments on the reporting date. For floating rate liabilities, the method of analysis is to assume that the amount of liabilities outstanding at the reporting date is outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25% with all other variables remaining constant, the profit (loss) before income tax for the year ended December 31, 2025 would have decreased or increased by NT\$189 thousand. This is mainly due to the Group's floating rate borrowings.

The Group was not exposed to interest rate risk as it did not have financial liabilities at floating rates for the year ended December 31, 2024.

E. Other price risk

The impact of changes in the prices of equity securities (both periods adopted the same basis and assumed other variable factors had remained constant) on the comprehensive income as of the reporting date was as follows:

Price of Securities on the Reporting Date	2024	
	Other Comprehensive Income, Net of Tax	Net Income (Loss)
3% increase	\$ -	146
3% decrease	\$ -	(146)

The Group disposed of all its shareholdings in Y-S Electronic Co., Ltd. in August 2025. As of December 31, 2025, the Group no longer held any equity securities; therefore, there was no impact on other comprehensive income arising from changes in the fair value of equity instruments.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

	December 31, 2024				
	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Short-term borrowings	\$ 20,478	-	-	-	-
Long-term borrowings (including current portion)	61,469	-	-	-	-
Notes and accounts payables	6,304				
Other payables	43,316	-	-	-	-
Lease liabilities	36,665	-	-	-	-
Guarantee deposits received	2,318	-	-	-	-
	<u>\$ 170,550</u>				

(Concluded)

The Group uses observable inputs of the market whenever possible for asset and liability measurements. The level of fair value hierarchy is determined based on the inputs used in the valuation techniques as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 inputs are not based on observable market data (i.e., unobservable inputs) for an asset or liability.

(b) Fair value valuation techniques for financial instruments not measured at fair value

The Group's financial instruments not measured at fair value are financial assets and liabilities at amortized cost. Except for ones with short maturities or with carrying amount approximate future receipts and payments, whose fair value is estimated using the carrying amount as of the balance sheet date, the methods and assumptions for fair value evaluation were as follows:

The fair value of instruments with quoted prices from transactions or market makers is measured based on the recent transaction prices and quoted prices. If market prices are not available, the fair value is measured using the discounted cash flows.

(c) Fair value valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

The fair value of financial instruments with quoted prices in an active market is based on the quoted prices. The market prices announced by the main exchange centers or the exchange center of central government bonds serve as the basis for the fair value of the listed equity instruments and debt instruments with quoted prices from an active market.

If the market quotes of financial instruments from the Taiwan Stock Exchange, brokers, underwriters, industrial trade unions, pricing service agencies or competent authorities can be frequently obtained on time, and the prices represent the actual and frequent transactions at arm's length, then the financial instruments are deemed

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

to have quoted prices in an active market. If the conditions above cannot be met, the market is deemed inactive. In general, wide bid-ask spread, significant increases in bid-ask spread or extremely low trading volume are all indicators of an inactive market.

TPEX-listed shares held by the Group are financial assets with standardized terms and conditions and an active market. Their fair values are determined by market quotes.

- (d) For the years ended December 31, 2025 and 2024, there was no transfer between different levels of the fair value hierarchy.

(21) Financial risk management

A. Overview

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

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

This note presents the Group's exposures to the risks above as well as the Group's objectives, policies and procedures of risk measurement and management. For more information on the quantitative effects of these risk exposures, please refer to the respective notes to the accompanying consolidated financial statements.

B. Financial risk management structure

The board of directors takes full responsibility on setting up and monitoring the Group's risk management structure. It also instructs the chairman's office to be responsible for developing and controlling the risk management policies of the Group.

The Group's financial risk management policy aims to identify and analyze the financial risks faced by the Group, assess the impact of such risks and implement policies to avoid the risks. The policy is reviewed regularly to reflect changes in the market and the Group's operation. Through internal controls such as training and procedures, the Group is committed to develop a disciplined and constructive control environment for all employees to understand their roles and obligations.

The Group's Audit Committee oversees how the management monitors the Group's compliance with the financial risk management policy and procedures. The Committee also reviews the adequacy of financial risk management structure pertaining to risks encountered. The internal auditors assist the Audit Committee with being in the supervisory role. These personnel perform both regular and ad hoc reviews on financial risk management controls and procedures, and report the outcome to the Audit Committee.

C. Credit risk

Credit risk refers to the risk that a customer or a counterparty of financial instruments would default on its contractual obligations, resulting in financial losses to the Group. The risk mainly stems from the Group's receivables from customers and investments in securities.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(a) Accounts and other receivables

The Group's exposure to credit risk is influenced mostly by the status of individual customer. However, the management also considers the demographics of customer base, including the default risk of industries and countries in which the customers operate, as these factors may affect credit risk.

The Group has established credit policy where each new customer is subject to credit review before it is given the standard payment and delivery terms and conditions. Reviews performed by the Group would include external ratings, if possible, and in some circumstance, bank references. Credit limits are established for each customer and reviewed regularly. Customers failing to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group has set up a loss allowance account to reflect the estimated losses incurred in respect of accounts and other receivables as well as investments. The main components of the allowance account include a specific loss component relating to individually significant exposures, and a collective loss component for losses incurred in similar asset groups but not yet identified. The collective loss allowance is determined based on the historical payment records of similar financial assets.

(b) Investments

The credit risk of bank deposits and other financial instruments is measured and monitored by the finance department of the Group. As the Group only deals with financial institutions and corporations with a credit rating of investment grade or above, there was no significant credit risk.

(c) Guarantees

The Group policy stipulates that it can provide financial guarantees only to subsidiaries in which it holds more than 50% of shares or companies it has business relationship with. As of December 31, 2025 and 2024, the Group did not provide financial guarantees nor endorsements.

D. Liquidity risk

Liquidity risk is the risk of the Group failing to fulfill its obligations of settling its financial liabilities by cash or other financial assets. The Group's liquidity management approach aims to ensure that it has sufficient liquidity to pay for liabilities when they are due, under both normal and stressed circumstances, to avoid unacceptable losses or the risk of damaging the Group's reputation.

E. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, would affect the Group's income or the value of financial instruments held. The objective of market risk management is to control the market risk exposures within an acceptable range while optimizing investment returns.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

(a) Foreign currency risk

The Group is exposed to foreign currency risk arising from sales and business transactions denominated in currencies other than the Group's functional currency. Such transactions are mostly denominated in RMB, USD and EUR.

(b) Interest rate risk

The Group's financial assets exposed to fair value interest rate risk consist of bank deposits, and its financial liabilities consist of short-term and long-term borrowings. However, market interest rates remained relatively stable.

(c) Other market price risk

Equity price risk refers to the risk of future price uncertainty of investments in TPEX-listed securities held by the Group. The Group manages the price risk of equity instruments through diversification and regular studies on the financial status of the issuers.

(22) Capital management

The board of directors' policy is to maintain a sound capital base in order to sustain the confidence of investors, creditors and markets as well as future business developments. Capitals include the share capital, capital surplus, retained earnings and non-controlling interests of the Group. The board of directors oversees the return on capital and the level of dividends paid on ordinary shares.

Debt to capital ratio as of the reporting date was as follows:

	December 31, 2025	December 31, 2024
Total liabilities	\$ 215,353	229,065
Less: Cash and cash equivalents	103,732	110,513
Net liabilities	\$ 111,621	118,552
Total equity	\$ 1,449,730	1,479,677
Debt to capital ratio	7.70%	8.01%

As of December 31, 2025, the Group did not change its capital management approach.

(23) Non-cash investing and financing activities

Non-cash investing activities were as follows:

- A. Please refer to Note 6(8) for details on right-of-use assets under leases.
B. The reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2025	Cash Flows	Non-cash Movements Others	December 31, 2025
Short-term borrowings	\$ 20,478	2,834	189	23,501
Long-term borrowings (including current portion)	61,469	(9,166)	(97)	52,206

(Continued)

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

	January 1, 2025	Cash Flows	Non-cash Movements	December 31, 2025
			Others	
Lease liabilities	\$ 36,665	(2,762)	697	34,600
Total liabilities from financing activities	\$ 118,612	(9,094)	789	110,307

(Concluded)

	January 1, 2024	Cash Flows	Non-cash Movements	December 31, 2024
			Others	
Short-term borrowings	\$ -	20,368	110	20,478
Long-term borrowings (including current portion)	22,347	38,137	985	61,469
Lease liabilities	35,960	(2,645)	3,350	36,665
Guarantee deposits received	2,368	(50)	-	2,318
Total liabilities from financing activities	\$ 60,675	55,810	4,445	120,930

7. Related Party Transactions

Compensation of key management included:

	Years Ended December 31	
	2025	2024
Short-term employee benefits	\$ 10,790	10,503
Post-employment benefits	108	108
	\$ 10,898	10,611

8. Pledged Assets

The carrying amount of assets pledged by the Group was as follows:

Asset	Purpose of Pledge	December 31, 2025	December 31, 2024
Other financial assets - current:			
Restricted bank deposits	Short-term borrowings and credit line guarantees	\$ 67,440	67,170
Other financial assets - non-current:			
Restricted bank deposits	Long-term borrowings and credit line guarantees	67,440	67,170
		\$ 134,880	134,340

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

As of December 31, 2025 and 2024, the agreements for operating equipment purchases engaged by the Group amounted to NT\$18,837 thousand and NT\$18,767 thousand, and the payments made were NT\$15,079 thousand and NT\$15,018 thousand, respectively, which were recognized under property, plant and equipment.

GENMONT BIOTECH INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

10. Significant Disaster Loss: None.

11. Significant Subsequent Events: None.

12. Others

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

Function Nature	Years Ended December 31					
	2025			2024		
	Operating Cost	Operating Expense	Total	Operating Cost	Operating Expense	Total
Employee benefit expense						
Payroll	28,011	68,799	96,810	28,799	68,049	96,848
Labor and health insurance	3,288	6,966	10,254	3,284	6,485	9,769
Pension	1,623	3,790	5,413	1,772	3,560	5,332
Other employee benefit expense	1,853	4,000	5,853	2,050	3,792	5,842
Depreciation	31,390	35,174	66,564	35,386	35,813	71,199
Amortization	-	391	391	-	393	393

13. Additional Disclosures

(1) Information on significant transactions:

Disclosures of the Group's significant transactions required by the Regulations Governing the Preparation of Financial Reports by Securities Issuers for the year ended December 31, 2025 were as follows:

A. Financing provided to others: None.

B. Endorsement/guarantee provided to others:

No.	Endorser/ Guarantor	Endorsee/Guaranteee Name	Relationship	Limit on Endorsement /Guarantee Provided to A Single Entity (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement /Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 2)	Endorsement Provided by Parent Company to Subsidiaries	Endorsement Provided by Subsidiaries to Parent Company	Endorsement Provided to Subsidiaries in China
0	The Company	GenMont (China)	(Note 3)	266,176	137,190	134,880	75,707	134,880	10.13%	665,441	Y	-	Y

Note 1: Limited to 20% of the Company's net worth.

Note 2: Limited to 50% of the Company's net worth.

Note 3: A company in which the Company directly holds over 50% of the voting rights.

C. Material marketable securities held as of December 31, 2025 (excluding investments in subsidiaries, associates and joint ventures): None.

D. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital: None.

E. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital: None.

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F. Intercompany relationships and significant intercompany transactions:

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statement Account	Amount	Terms	Percentage to Consolidated Net Revenue or Total Assets (Note 3)
0	The Company	GenMont (China)	1	Other receivables	20,147	-	1%

Note 1: No. is expressed in codes below:

(1) The parent company is coded “0”.

(2) The subsidiaries are coded from “1” in the order presented in the table above.

Note 2: Relationships are categorized into the following types:

(1) From the parent company to a subsidiary.

(2) From a subsidiary to the parent company.

(3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is computed based on the ending balance to the consolidated total assets for balance sheet items; and based on the interim accumulated amount to the consolidated net revenue for profit or loss items.

Note 4: The above intercompany transactions have been eliminated in the preparation of the consolidated financial statements.

(2) Information on investees (excluding investments in mainland China): None.

(3) Information on investments in mainland China:

A. Information on investees in mainland China:

Investee in China	Main Business	Paid-in Capital	Method of Investment	Accumulated Outflows of Investment from Taiwan as of January 1, 2025 (Note 3)	Investment Flows		Accumulated Outflows of Investment from Taiwan as of December 31, 2025 (Note 3)	Profit/Loss of Investee	Ownership Percentage (Direct or Indirect Investment)	Maximum Ownership Percentage during the Period	Share of Profit/Loss (Notes 4)	Carrying Amount as of December 31, 2025 (Note 3)	Accumulated Inward Remittances of Earnings as of December 31, 2025
					Outflow	Inflow							
GenMont (China)	Manufacturing and selling of functional foods	1,081,972	(Note 1)	932,470	-	-	932,470	(61,442)	85%	85%	(52,225)	673,481	-

Note: The above share of profit/loss and the carrying amounts of the related investments have been eliminated in the preparation of the consolidated financial statements.

B. Upper limit on investment in mainland China

Accumulated Outflows of Investment from Taiwan to Mainland China as of December 31, 2025 (Note 3)	Investment Amounts Authorized by the Investment Commission, MOEA (Note 3)	Upper Limit on Investment (Note 2)
932,470 (RMB207,400 thousand)	934,269 (RMB207,800 thousand)	871,160

Note 1: Direct investment in the investee.

Note 2: The upper limit is calculated based on 60% of the net worth or consolidated net worth (whichever is higher).

Note 3: Amount was translated into New Taiwan dollars using the exchange rate as of December 31, 2025.

Note 4: Amount was translated into New Taiwan dollars using the average exchange rate of 2025.

C. Significant transactions:

Please refer to “intercompany relationships and significant intercompany transactions” for details on significant transactions, either directly or indirectly, between the Company and the investee in China (which were eliminated during the preparation of consolidated

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financial statements) for the year ended December 31, 2025.

14. Operating Segments

(1) General information

Management of the Group identified reportable segments based on information used by the operational decision maker in making decisions. The Group mainly engages in the manufacturing and selling of functional foods and the decision maker manages the business from a company-specific perspective.

(2) Information on profit (loss), assets, measurement basis and adjustment of reportable segments

The amounts reported by the Group were consistent with the report used by the operational decision maker. The accounting policies adopted by the operating segments were the same as the ones stated in Note 4 Summary of Significant Accounting Policies to the consolidated financial statements. Profits (losses) of the Group's operating segments were measured at the pre-tax profit (loss) level and served as the basis for performance assessment. Such measurement excluded the effect of non-recurring items within the operating segments.

	Year Ended December 31, 2025			
	GenMont	GenMont (China)	Adjustment and Elimination	Total
Revenue:				
From external customers	\$ 354,544	46,685	-	401,229
Interest income	7,050	5	-	7,055
Total revenue	\$ 361,594	46,690	-	408,284
Interest expense	\$ 897	3,018	-	3,915
Depreciation and amortization	\$ 16,960	49,995	-	66,955
Profit (loss) of reportable segments	\$ 125,121	(61,441)	-	63,680
Assets of reportable segments	\$ 789,023	896,207	(20,147)	1,665,083
	Year Ended December 31, 2024			
	GenMont	GenMont (China)	Adjustment and Elimination	Total
Revenue:				
From external customers	\$ 345,164	40,209	-	385,373
Interest income	11,248	21	-	11,269
Total revenue	\$ 356,412	40,230	-	396,642
Interest expense	\$ 909	2,809	-	3,718
Depreciation and amortization	\$ 20,004	51,588	-	71,592
Profit (loss) of reportable segments	\$ 128,054	(63,335)	-	64,719
Assets of reportable segments	\$ 765,371	962,011	(18,640)	1,708,742

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(3) Product information

Revenues from external customers were as follows:

<u>Name of Product</u>	Years Ended December 31	
	2025	2024
Revenue of functional foods	\$ 401,229	385,373

(4) Geographic information

The Group's geographic information is listed below. Revenues were grouped by the geographic location of customers while non-current assets were grouped by their physical location.

<u>Region</u>	Years Ended December 31	
	2025	2024
Revenue from external customers:		
Taiwan	\$ 199,527	191,419
Singapore	43,487	69,597
Mainland China	111,023	78,425
Others	47,192	45,932
Total	\$ 401,229	385,373

<u>Region</u>	December 31,	December 31,
	2025	2024
Non-current assets:		
Taiwan	\$ 122,600	136,124
Mainland China	857,194	905,928
Total	\$ 979,794	1,042,052

Non-current assets included property, plant and equipment, right-of-use assets, intangible assets and other assets. However, financial instruments, deferred income tax assets and pension benefit assets were not included.

(5) Major customers

Customers accounted for at least 10% of the Group's operating revenue for the years ended December 31, 2025 and 2024 were as follows:

	Years Ended December 31	
	2025	2024
Customer A	\$ 56,040	85,808
Customer B	43,434	29,817
Customer C	45,276	19,227
Total	\$ 144,750	134,852