

KMC (KUEI MENG) INTERNATIONAL INC.

**Parent Company Only Financial Statements for the
Years Ended December 31, 2025 and 2024 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
KMC (KUEI MENG) International Inc.

Opinion

We have audited the accompanying parent company only financial statements of KMC (KUEI MENG) International Inc. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2025 and 2024, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the parent company only financial statements, including material accounting policies information.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2025 and 2024, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matter of the Company's parent company only financial statements for the year ended December 31, 2025 is as follows:

Revenue recognition

The Company sells its products in Asia, Americas and Europe. Sales revenue is significant to the parent company only financial statements and is a presumed risk account under the Regulations Governing Auditing and Attestation of Financial Statements; thus, we deemed the validity and occurrence of sales to specific customers whose operating revenue showed significant variance

from last year to be a key audit matter.

The main audit procedures we performed in response to the key audit matter described above were as follows:

1. We understood and tested the operating effectiveness of internal controls and operational procedures in sales and payment collection cycle.
2. We selected a moderate number of samples from sales revenue and inspected the delivery documents or documents of customs, and relevant documents of collections to test the occurrence of the sales.

Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

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

accounting estimates and related disclosures made by management.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2025 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Hong-Ju Liao and Chi-Chen Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2026

Notice to Readers

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

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

KMC (KUEI MENG) INTERNATIONAL INC.

PARENT COMPANY ONLY 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 (Notes 4 and 6)	\$ 320,711	3	\$ 405,280	3
Financial Assets at fair value through profit or loss-current (Notes 4, 7 and 16)	-	-	100	-
Financial assets at amortized cost - current (Notes 4 and 8)	232,242	2	10,747	-
Notes receivable (Notes 4, 9 and 22)	2,472	-	2,026	-
Accounts receivable (Notes 4, 9 and 22)	90,356	1	94,659	1
Accounts receivable from related parties (Notes 4, 9, 22 and 28)	262,225	2	523,682	5
Other receivables (Note 4)	1,380	-	700	-
Other receivables from related parties (Notes 4 and 28)	6,600	-	6,885	-
Inventories (Notes 4 and 10)	38,403	-	33,755	-
Other current assets (Note 15)	4,994	-	6,647	-
Total current assets	959,383	8	1,084,481	9
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 11)	10,998,421	91	10,472,150	90
Property, plant and equipment (Notes 4 and 12)	3,874	-	647	-
Right-of-use assets (Notes 4 and 13)	3,526	-	5,026	-
Other intangible assets (Notes 4 and 14)	3,213	-	9,871	-
Deferred tax assets (Notes 4 and 24)	53,965	1	66,809	1
Other non-current assets (Note 4)	6,231	-	3,848	-
Total non-current assets	11,069,230	92	10,558,351	91
TOTAL	<u>\$ 12,028,613</u>	<u>100</u>	<u>\$ 11,642,832</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	\$ 294,028	3	\$ 1,100,000	10
Short-term bills payable (Notes 4 and 17)	-	-	99,875	1
Accounts payable (Note 18)	4,826	-	7,241	-
Accounts payable to related parties (Notes 18 and 28)	336,341	3	344,983	3
Other payables (Note 19)	29,452	-	33,674	-
Dividends payable (Note 21)	238,888	2	349,359	3
Other payable to related parties (Note 28)	10,716	-	2,074	-
Current tax liabilities (Notes 4 and 24)	212,676	2	84,033	1
Lease liabilities - current (Notes 4, 13 and 28)	1,935	-	1,826	-
Current portion of puttable bonds (Notes 4 and 16)	985,628	8	-	-
Other current liabilities (Notes 19 and 22)	11,680	-	25,389	-
Total current liabilities	2,126,170	18	2,048,454	18
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 16)	-	-	969,153	8
Long-term borrowings (Notes 4 and 17)	1,013,000	8	300,000	3
Deferred tax liabilities-non-current (Notes 4 and 24)	1,283	-	-	-
Lease liabilities - non-current (Notes 4, 13 and 28)	1,628	-	3,213	-
Total non-current liabilities	1,015,911	8	1,272,366	11
Total liabilities	3,142,081	26	3,320,820	29
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 21)				
Capital stock - common stock	1,260,008	10	1,260,008	11
Capital surplus	1,760,303	15	1,760,303	15
Retained earnings				
Legal reserve	1,339,645	11	1,242,489	10
Special reserve	859,445	7	361,280	3
Unappropriated earnings	4,051,059	34	4,156,854	36
Total retained earnings	6,250,149	52	5,760,623	49
Other equity	(383,928)	(3)	(458,922)	(4)
Total equity attributable to owners of the Company	8,886,532	74	8,322,012	71
TOTAL	<u>\$ 12,028,613</u>	<u>100</u>	<u>\$ 11,642,832</u>	<u>100</u>

The accompanying notes are an integral part of the parent company only financial statements.

KMC (KUEI MENG) INTERNATIONAL INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 22 and 28)	\$ 1,726,309	100	\$ 1,738,529	100
OPERATING COSTS (Notes 10 and 28)	<u>959,223</u>	<u>56</u>	<u>886,958</u>	<u>51</u>
GROSS PROFIT	767,086	44	851,571	49
Unrealized gain on transactions with subsidiaries (Note 4)	(312,127)	(18)	(374,591)	(21)
Realized gain on transactions with subsidiaries (Note 4)	<u>374,591</u>	<u>22</u>	<u>221,679</u>	<u>13</u>
REALIZED GROSS PROFIT	<u>829,550</u>	<u>48</u>	<u>698,659</u>	<u>41</u>
OPERATING EXPENSES (Notes 9, 23 and 28)				
Selling and marketing expenses	64,168	4	48,264	3
General and administrative expenses	73,879	4	70,760	4
Research and development expenses	542	-	572	-
Expected credit gain	<u>(395)</u>	<u>-</u>	<u>(310)</u>	<u>-</u>
Total operating expenses	<u>138,194</u>	<u>8</u>	<u>119,286</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>691,356</u>	<u>40</u>	<u>579,373</u>	<u>34</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4, 7, 16, 23 and 28)				
Interest income	11,873	1	12,864	1
Other income	2,422	-	2,018	-
Other gains and losses	(25,994)	(2)	(9,308)	(1)
Share of profit of subsidiaries and associates	494,203	29	490,705	28
Finance cost	<u>(45,748)</u>	<u>(3)</u>	<u>(42,870)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>436,756</u>	<u>25</u>	<u>453,409</u>	<u>26</u>
PROFIT BEFORE INCOME TAX	1,128,112	65	1,032,782	60
INCOME TAX EXPENSE (Notes 4 and 24)	<u>163,089</u>	<u>9</u>	<u>116,221</u>	<u>7</u>
NET PROFIT	<u>965,023</u>	<u>56</u>	<u>916,561</u>	<u>53</u>

(Continued)

KMC (KUEI MENG) INTERNATIONAL INC.

PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	\$ 743	-	\$ (599)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 21)	9,017	-	425	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method (Note 21)	65,977	4	279,769	16
	<u>74,994</u>	<u>4</u>	<u>280,194</u>	<u>16</u>
Other comprehensive income (loss) for the year, net of income tax	<u>75,737</u>	<u>4</u>	<u>279,595</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,040,760</u>	<u>60</u>	<u>\$ 1,196,156</u>	<u>69</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 7.66</u>		<u>\$ 7.27</u>	
Diluted	<u>\$ 7.32</u>		<u>\$ 6.97</u>	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

KMC (KUEI MENG) INTERNATIONAL INC.

PARENT COMPANY ONLY 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					Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total Equity
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2024	\$ 1,260,000	\$ 1,760,215	\$ 1,157,020	\$ 596,364	\$ 3,605,145	\$ (739,116)	\$ 7,639,628
Appropriation of earnings (Note 21)							
Legal reserve	-	-	85,469	-	(85,469)	-	-
Special reserve	-	-	-	(235,084)	235,084	-	-
Cash dividends distributed by the Company	-	-	-	-	(513,868)	-	(513,868)
Net profit for the year ended December 31, 2024	-	-	-	-	916,561	-	916,561
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	(599)	280,194	279,595
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	915,962	280,194	1,196,156
Conversion of corporate bonds to common stock (Notes 16 and 21)	8	88	-	-	-	-	96
BALANCE, DECEMBER 31, 2024	1,260,008	1,760,303	1,242,489	361,280	4,156,854	(458,922)	8,322,012
Appropriation of earnings (Note 21)							
Legal reserve	-	-	97,156	-	(97,156)	-	-
Special reserve	-	-	-	498,165	(498,165)	-	-
Cash dividends distributed by the Company	-	-	-	-	(476,240)	-	(476,240)
Net profit for the year ended December 31, 2025	-	-	-	-	965,023	-	965,023
Other comprehensive income for the year ended December 31, 2025, net of income tax	-	-	-	-	743	74,994	75,737
Total comprehensive income for the year ended December 31, 2025	-	-	-	-	965,766	74,994	1,040,760
BALANCE, DECEMBER 31, 2025	<u>\$ 1,260,008</u>	<u>\$ 1,760,303</u>	<u>\$ 1,339,645</u>	<u>\$ 859,445</u>	<u>\$ 4,051,059</u>	<u>\$ (383,928)</u>	<u>\$ 8,886,532</u>

The accompanying notes are an integral part of the parent company only financial statements.

KMC (KUEI MENG) INTERNATIONAL INC.

PARENT COMPANY ONLY 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		
Income before income tax	\$ 1,128,112	\$ 1,032,782
Adjustments for:		
Depreciation expenses	2,791	3,361
Amortization expenses	6,658	7,125
Recognized on accounts receivable expected credit gain	(395)	(310)
Finance costs	45,748	42,870
Interest income	(11,873)	(12,864)
Share of profit of associates	(494,203)	(490,705)
Unrealized (realized) gain on the transactions with subsidiaries	(62,464)	152,912
Unrealized loss (gain) on foreign currency exchange	(6,414)	1,754
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	100	100
Notes receivable	(446)	5,640
Accounts receivable	5,342	(44,309)
Accounts receivable from related parties	269,375	(403,544)
Other receivables (including related parties)	417	108
Inventories	(4,648)	(18,581)
Other current assets	1,653	(2,715)
Accounts payable	(2,415)	1,243
Accounts payable to related parties	(19,392)	156,834
Other payables	(4,421)	(2,360)
Other payables to related parties	8,286	402
Other current liabilities	(13,709)	13,475
Cash generated from operations	848,102	443,218
Income tax paid	(20,319)	(224,439)
Net cash generated from operating activities	827,783	218,779
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal (acquisition) of financial assets at amortized cost	(221,495)	23,523
Increase in prepayments for equipment	(6,469)	(3,156)
Interest received	11,213	12,971
Dividends received from subsidiaries and associates	457,644	188,943
Net cash generated from investing activities	240,893	222,281
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	6,181,600	8,584,000
Repayments of short-term borrowings	(6,990,847)	(8,562,442)
Proceeds from short-term bills payable	499,597	500,000
Repayments of short-term bills payable	(600,916)	(501,119)
Proceeds from long-term borrowings	2,206,000	1,832,000
Repayments of long-term borrowings	(1,493,000)	(1,837,000)

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KMC (KUEI MENG) INTERNATIONAL INC.

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars)

	2025	2024
Repayment of the principal portion of lease liabilities	\$ (1,984)	\$ (1,975)
Cash dividends	(586,711)	(390,049)
Acquisition of additional interests in subsidiaries	(351,511)	(68,348)
Interest paid	<u>(27,562)</u>	<u>(25,583)</u>
Net cash used in financing activities	<u>(1,165,334)</u>	<u>(470,516)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>12,089</u>	<u>4,358</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,569)	(25,098)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>405,280</u>	<u>430,378</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 320,711</u>	<u>\$ 405,280</u>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

KMC (KUEI MENG) INTERNATIONAL INC.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

KMC (KUEI MENG) International Inc. (the “Company”) was incorporated in April 1989 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells various types of chains, motorcycle components and vehicle components.

The Company’s shares had been publicly offered since August 1993 and have been listed and traded on the Taipei Exchange (TPEX) since December 1995. On March 8, 2022, the Company’s shares were listed on the Taiwan Stock Exchange.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The Company’s board of directors approved the parent company only financial statements for issue on March 12, 2026.

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

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

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

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2026

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
IFRS 17 “Insurance Contracts” (including the 2020 and 2021 amendments to IFRS 17)	January 1, 2023

As of the date the parent company only financial statements were authorized for issue, the Company assessed that the amendments to said standard rules and interpretations were not likely to pose any significant impact to its financial position and results of operations.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note 2)
IFRS 19 “Subsidiaries without Public Accountability: Disclosures” (including the 2025 amendments to IFRS 19)	January 1, 2027
Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”	January 1, 2027

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

Note 2: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

IFRS 18 “Presentation and Disclosure in Financial Statements” and consequential amendments

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- To classify items of income and expenses presented in the statement of profit or loss into the operating, investing, financing, income taxes and discontinued operations categories, the Company shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Company shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Company labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Company as a whole, the Company shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

In addition, the following consequential amendments have been made to IAS 7 “Statement of Cash Flows”:

- The Company shall use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.
- Interest and dividends received by the Company shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment,

the Company has a specific main operating activity, it shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how it classifies dividend income, interest income and interest expense in the statement of profit or loss. The total of each of these cash flows shall be classified in a single category in the statement of cash flows.

Except for the above impact, as of the date the parent company only financial statements were authorized for issue, the Company is continuously assessing the other impacts of the above amended standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Foreign currencies

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

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

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

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency which are not retranslated.

For the purpose of presenting the parent company only financial statements, the functional currencies of the Company entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company.

e. Inventories

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

f. Investments accounted for using equity method

1) Investments in subsidiaries

A subsidiary is an entity (including a structured entity) over which the Company has control.

Under the equity method, investments in subsidiaries are originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive income by the Company. Additionally, the change in the interests the Company holds in subsidiaries is recognized pro rata to the shareholding percentages.

Unrealized gains or losses on downstream transactions with subsidiaries are eliminated in the parent company only financial statements. Gains or losses from upstream and side-stream transactions with subsidiaries are recognized in the parent company only financial statements only to the extent that they are not related to the Company's equity interest in the subsidiary.

2) Investments in associates

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

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

g. Property, plant and equipment

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

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

i. Impairment of property, plant and equipment, right of use asset and intangible assets

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

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable

amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, accounts and notes receivable, other

receivables and refundable deposits (classified under other non-current assets), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset.

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

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

Cash equivalents include time deposits and repurchase agreement with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

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

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

For internal credit risk management purposes, the Company determines that the internal or external information show that the debtor is unlikely to pay its creditors indicate that a financial asset is in default (without taking into account any collateral held by the Company).

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as at FVTPL including held for trading.

b) Derecognition of financial liabilities

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

3) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised; in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

4) Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

k. Revenue recognition

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of various types of chains, motorcycle components and vehicle components.

Revenue and accounts receivable are recognized when the transaction terms have been achieved or after accepting by the buyers, which means the Company has transferred to the buyer the significant risks and rewards of ownership of the goods to the buyers, and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

l. Leases

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

The Company as lessee

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

Right-of-use assets are initially measured at cost. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

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

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

m. Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

o. Taxation

Income tax expense represents the sum of the tax currently payable and tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law in the ROC, an additional tax of unappropriated earnings is provided for in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused loss carryforwards to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. MATERIAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Company has no critical accounting judgements and key sources of estimation uncertainty.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2025	2024
Cash on hand	\$ 31	\$ -
Demand deposits	210,675	197,893
Cash equivalent (investments with original maturities of 3 months or less)		
Time deposits	62,860	99,475
Repurchase agreements collateralized by bonds	47,145	107,912
	<u>\$ 320,711</u>	<u>\$ 405,280</u>

The ranges of interest rates of time deposits and repurchase agreements were as follows:

	December 31	
	2025	2024
Time deposits	3.83% - 4.05%	1.9% - 4.55%
Repurchase agreements collateralized by bonds	4%	1.3% - 4.9%

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2025	2024
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Convertible options (Note 16)	<u>\$ -</u>	<u>\$ 100</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2025	2024
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 232,242	\$ 10,747

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 1.2% - 4.1% and 1.3% - 1.75% per annum as of December 31, 2025 and 2024, respectively.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)

	December 31	
	2025	2024
<u>Notes receivable - operating</u>		
At amortized cost		
Gross carrying amount	\$ 2,472	\$ 2,026
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 90,489	\$ 95,187
Less: Allowance for impairment loss	133	528
	\$ 90,356	\$ 94,659
<u>Accounts receivable from related parties</u>		
At amortized cost		
Gross carrying amount	\$ 262,225	\$ 523,682

The average credit period of sales of goods was 30 to 90 days. No interest was charged on accounts receivable. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company measures the loss allowance for accounts receivable at an amount equal to lifetime ECLs. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

The Company writes off an accounts receivable when there is information indicating that the debtor is in

severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of notes receivable and accounts receivable based on the Company's provision matrix.

a. Notes receivable

All of the Company's notes receivable were not past due as of December 31, 2025 and 2024 and no loss allowance were accrued.

b. Accounts receivable (including related parties)

December 31, 2025

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0% - 10%	0% - 25%	0% - 40%	100%	
Gross carrying amount	\$ 349,989	\$ 2,578	\$ -	\$ 147	\$ -	\$ 352,714
Loss allowance (Lifetime ECLs)	-	(60)	-	(73)	-	(133)
	<u>\$ 349,989</u>	<u>\$ 2,518</u>	<u>\$ -</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ 352,581</u>

December 31, 2024

	Not Past Due	Less than 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days	Total
Expected credit loss rate	0%	0% - 10%	0% - 25%	0% - 40%	100%	
Gross carrying amount	\$ 614,471	\$ 3,303	\$ -	\$ 1,095	\$ -	\$ 618,869
Loss allowance (Lifetime ECLs)	-	-	-	(528)	-	(528)
	<u>\$ 614,471</u>	<u>\$ 3,303</u>	<u>\$ -</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ 618,341</u>

The movements of the loss allowance of notes receivable and accounts receivable were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Balance on January 1	\$ 528	\$ 838
Less: Net remeasurement of loss allowance	<u>(395)</u>	<u>(310)</u>
Balance on December 31	<u>\$ 133</u>	<u>\$ 528</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2025</u>	<u>2024</u>
Merchandise	<u>\$ 38,403</u>	<u>\$ 33,755</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2025 and 2024

was \$959,223 thousand and \$886,958 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2025	2024
Investments in subsidiaries (a)	\$ 10,985,328	\$ 10,458,170
Investments in associates (b)	<u>13,093</u>	<u>13,980</u>
	<u>\$ 10,998,421</u>	<u>\$ 10,472,150</u>

a. Investments in subsidiaries

	December 31	
	2025	2024
KMC Chain Industrial Co., Ltd.	\$ 10,112,465	\$ 9,617,402
KMC Automobile Transmission Co., Ltd.	660,572	681,398
KMC Industries (Vietnam) Co., Ltd.	25,979	24,203
Kynamic Inc.	41,620	47,082
KMC Global GmbH	<u>144,692</u>	<u>88,085</u>
	<u>\$ 10,985,328</u>	<u>\$ 10,458,170</u>

	Proportion of Ownership	
	December 31	
Name of Subsidiary	2025	2024
KMC Chain Industrial Co., Ltd.	100%	100%
K.M.C. Automobile Transmission Co., Ltd.	100%	100%
KMC Industries (Vietnam) Co., Ltd.	100%	100%
Kynamic Inc.	100%	100%
KMC Global GmbH	100%	100%

Please refer to Table 4 “Information on Investees” and Table 5 “Information on Investments in Mainland China” for the details of the subsidiaries held by the Company.

b. Investments in associates

	December 31	
	2025	2024
Associates that are not individually material		
Pro (Taiwan) Procurement Co., Ltd.	<u>\$ 13,093</u>	<u>\$ 13,980</u>

In February 2016, the Company contributed \$12,250 thousand to set up a company Pro (Taiwan) Procurement Co., Ltd. with non-related party. The proportion of the Company’s ownership was both 49% as of December 31, 2025 and 2024.

Refer to Table 4 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the associates.

Aggregate information of associates that are not individually material.

For the Year Ended December 31

2025

2024

The Company's share of:

Profit from continuing operations and total comprehensive
income for the year

\$ 352

\$ 1,377

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2025 and 2024 were based on the associates' financial statements which have been audited for the same years.

12. PROPERTY, PLANT AND EQUIPMENT

**Office
Equipment**

Cost

Balance on January 1, 2024

\$ 18,332

Additions

226

Balance on December 31, 2024

\$ 18,558

Accumulated depreciation

Balance on January 1, 2024

\$ 16,497

Depreciation

1,414

Balance on December 31, 2024

\$ 17,911

Carry amounts on December 31, 2024

\$ 647

Cost

Balance on January 1, 2025

\$ 18,558

Additions

4,086

Balance on December 31, 2025

\$ 22,644

Accumulated depreciation

Balance on January 1, 2025

\$ 17,911

Depreciation

859

Balance on December 31, 2025

\$ 18,770

Carry amounts on December 31, 2025

\$ 3,874

No impairment assessment was performed for the years ended December 31, 2025 and 2024 as there was no indication of impairment.

The property, plant and equipment are depreciated by the straight-line method over 3-6 years of useful lives.

13. LEASE ARRANGEMENTS

a. Right-of-use assets

	Buildings	Transportation equipment	Total
<u>Cost</u>			
Balance on January 1, 2024	\$ 5,273	\$ 866	\$ 6,139
Increase	4,374	488	4,862
Decrease	<u>(4,451)</u>	<u>(412)</u>	<u>(4,863)</u>
Balance on December 31, 2024	<u>\$ 5,196</u>	<u>\$ 942</u>	<u>\$ 6,138</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2024	\$ 3,434	\$ 594	\$ 4,028
Depreciation	1,644	303	1,947
Decrease	<u>(4,451)</u>	<u>(412)</u>	<u>(4,863)</u>
Balance on December 31, 2024	<u>\$ 627</u>	<u>\$ 485</u>	<u>\$ 1,112</u>
Carrying amounts on December 31, 2024	<u>\$ 4,569</u>	<u>\$ 457</u>	<u>\$ 5,026</u>
<u>Cost</u>			
Balance on January 1, 2025	\$ 5,196	\$ 942	\$ 6,138
Increase	-	432	432
Decrease	<u>-</u>	<u>(454)</u>	<u>(454)</u>
Balance on December 31, 2025	<u>\$ 5,196</u>	<u>\$ 920</u>	<u>\$ 6,116</u>
<u>Accumulated depreciation</u>			
Balance on January 1, 2025	\$ 627	\$ 485	\$ 1,112
Depreciation	1,623	309	1,932
Decrease	<u>-</u>	<u>(454)</u>	<u>(454)</u>
Balance on December 31, 2025	<u>\$ 2,250</u>	<u>\$ 340</u>	<u>\$ 2,590</u>
Carrying amounts on December 31, 2025	<u>\$ 2,946</u>	<u>\$ 580</u>	<u>\$ 3,526</u>

b. Lease liabilities

	December 31	
	2025	2024
<u>Carrying amounts</u>		
Current	<u>\$ 1,935</u>	<u>\$ 1,826</u>
Non-current	<u>\$ 1,628</u>	<u>\$ 3,213</u>

Discount rate for lease liabilities was as follows:

	December 31	
	2025	2024
Buildings and transportation equipment	0.4362% - 2%	0.4362% - 1.85%

c. Material leasing activities and terms

As lessee, the Company leases certain land, buildings and transportation equipment with lease terms of 3 years.

d. Other lease information

	For the Year Ended December 31	
	2025	2024
Expenses relating to short-term leases	\$ 83	\$ 126
Expenses relating to low-value asset leases	\$ 100	\$ 331
Total cash outflow for leases	\$ 2,243	\$ 2,458

14. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance on January 1 and December 31, 2024	\$ 54,642
<u>Accumulated depreciation</u>	
Balance on January 1, 2024	\$ 37,646
Depreciation	7,125
Balance on December 31, 2024	\$ 44,771
Carrying amounts on December 31, 2024	\$ 9,871
<u>Cost</u>	
Balance on January 1 and December 31, 2025	\$ 54,642
<u>Accumulated depreciation</u>	
Balance on January 1, 2025	\$ 44,771
Depreciation	6,658
Balance on December 31, 2025	\$ 51,429
Carrying amounts on December 31, 2025	\$ 3,213

Intangible assets are amortized by the straight-line method over 8 years of useful lives.

15. OTHER CURRENT ASSETS

	December 31	
	2025	2024
Prepayments	\$ 1,906	\$ 3,193
Tax overpaid retained	3,085	3,451
Others	<u>3</u>	<u>3</u>
	<u>\$ 4,994</u>	<u>\$ 6,647</u>

16. BONDS PAYABLE

	December 31	
	2025	2024
Fourth secured domestic convertible bonds	\$ 985,628	\$ 969,153
Less: Portion due within a year	<u>985,628</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 969,153</u>

- a. On November, 2023, the Company issued the fourth secured domestic convertible bonds with a term of 3 years. Each of the convertible bonds has a par value of \$100 thousand; the total number of convertible bonds is 10 thousand; the aggregate principal amount is \$1 billion; the bonds are issued at 108.44% of the par value. The coupon rate of the convertible bonds is 0%.

The conversion price of the convertible bonds is NT\$ 130.5 per share. Afterwards, the price will be adjusted according to the conversion price adjustment formula from February 9, 2024 to November 8, 2026. As of December 31, 2025 the conversion price has been adjusted to \$121.3 per share due to each cash dividends issued.

If the closing price of ordinary shares exceeds the conversion price by 30% (inclusive) in 30 continuous business days, from three months after the issuance date to 40 days before the date of expiration, or if the balance of the outstanding bonds is less than 10% of the original total issuance amount, the Company may redeem the outstanding bonds in cash in accordance with the conditions of the bond issuance.

As of December 31, 2025, the total amount of the bonds converted by the bondholders was 100 thousand.

- b. The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options; the effective interest rate of the liability component was 1.466% per annum on initial recognition.

Liability component

The movement of liability component as follows:

	For the Year Ended December 31	
	2025	2024
Balance on January 1	\$ 969,153	\$ 953,012
Interest charged at an effective interest rate	16,475	16,237
Conversion into ordinary shares	<u>-</u>	<u>(96)</u>
Balance on December 31	<u>\$ 985,628</u>	<u>\$ 969,153</u>

The movement of financial assets at FVTPL - current as follows:

	For the Year Ended December 31	
	2025	2024
Balance on January 1	\$ 100	\$ 200
Adjustment for valuation	<u>(100)</u>	<u>(100)</u>
Balance on December 31	<u>\$ -</u>	<u>\$ 100</u>

17. BORROWINGS

a. Short-term borrowings

	December 31	
	2025	2024
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 294,028</u>	<u>\$ 1,100,000</u>

The ranges of weighted average effective interest rates on bank loans were 1.56% - 1.88% and 1.85% - 1.92% per annum as of December 31, 2025 and 2024, respectively.

b. Short-term bills payable

Outstanding short-term bills payable as follows:

December 31, 2024

Promissory Institutions	Nominal Amount	Discount Amount	Carrying Amount	Interest Rate	Collateral	Carrying Amount of collateral
<u>Commercial Paper</u>						
International Bills Finance Corporation	<u>\$100,000</u>	<u>\$ (125)</u>	<u>\$ 99,875</u>	1.988%	None	<u>\$ -</u>

c. Long-term borrowings

	December 31	
	2025	2024
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ <u>1,013,000</u>	\$ <u>300,000</u>

The ranges of weighted average effective interest rates on bank loans were 1.85% - 1.93% and 1.88% per annum as of December 31, 2025 and 2024, respectively.

18. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

Accounts payable resulted from operating activities. The average period of purchases is 30 to 150 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES AND OTHER LIABILITIES

	December 31	
	2025	2024
<u>Other payables</u>		
Payable for remuneration to directors and supervisors	\$ 8,400	\$ 8,400
Payable for compensation of employees	7,500	7,819
Payable for salaries or bonus	3,652	3,487
Others	<u>9,900</u>	<u>13,968</u>
	<u>\$ 29,452</u>	<u>\$ 33,674</u>
<u>Other liabilities</u>		
Contract liabilities (Note 22)	\$ 11,375	\$ 24,781
Others	<u>305</u>	<u>608</u>
	<u>\$ 11,680</u>	<u>\$ 25,389</u>

20. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Company, KMC Chain Industrial Co., Ltd. adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

21. EQUITY

a. Share capital

	December 31	
	2025	2024
Number of authorized shares (in thousands)	200,000	200,000
Amount of authorized shares	\$ 2,000,000	\$ 2,000,000
Number of issued and fully paid shares (in thousands)	126,001	126,001
Amount of issued and fully paid shares	\$ 1,260,008	\$ 1,260,008

A total of 16,000 thousand shares of the Company's authorized shares were reserved for the issuance of employee share options.

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The change in the Corporation's ordinary shares is due to the conversion of the 4th domestic secured convertible bonds exercised their conversion of 1,000 shares, and the change registration procedure had been completed.

b. Capital surplus

	December 31	
	2025	2024
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Recognized from issuance of ordinary shares	\$ 1,536,528	\$ 1,536,528
Recognized from share-based payment	4,594	4,594
<u>May only be used to offset a deficit</u>		
Cancelled options	92,517	92,517
<u>May not be used for any purpose (2)</u>		
Share option from convertible bonds	126,664	126,664
	<u>\$ 1,760,303</u>	<u>\$ 1,760,303</u>

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid-in capital and once a year).

2) Such capital surplus arises from convertible bonds, and will be adjusted when converted or expired.

c. Retained earnings and dividend policy

In accordance with regulations and surplus earnings distribution policy of the Company, the surplus earnings distribution proposal or loss make-up proposal shall be made at the end of every quarter. The earnings distribution in cash required authorization from at least two-thirds of the board of directors present, the consent of a majority of the directors present, and will be reported in the shareholders' meeting. Dividends and bonuses shall not be distributed when the Company has deficit. The Company

should estimate and reserve earnings for tax payable, capital reserve, and 10% of earnings for legal reserve until the accumulated legal reserve equals the paid-in capital of the Company. Distribution of special reserve may be made according to regulations and competent authority. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to “Compensation of employees and remuneration of directors” in Note 23(g).

Appropriations of earnings to legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficits. 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.

The quarterly appropriation of earnings and cash dividends per share for 2024 had been proposed by the Company’s board of directors. The appropriations and dividends per share were as follows:

	The fourth quarter of 2024	The third quarter of 2024	The second quarter of 2024	The first quarter of 2024
Date of board resolution	2025.03.12	2024.11.08	2024.08.09	2024.05.03
Legal reserve	<u>\$ 18,186</u>	<u>\$ 32,028</u>	<u>\$ 26,198</u>	<u>\$ 15,184</u>
Special reserve	<u>\$ 97,642</u>	<u>\$ (147,190)</u>	<u>\$ (64,997)</u>	<u>\$ (165,649)</u>
Cash dividends	<u>\$ 109,475</u>	<u>\$ 192,172</u>	<u>\$ 157,187</u>	<u>\$ 91,103</u>
Cash dividends per share (NT\$)	\$ 0.8688	\$ 1.5252	\$ 1.2475	\$ 0.72

The above cash dividends were distributed in accordance with the resolution of the board. The remaining items for distribution of earnings were approved by the shareholders' meeting on May 29, 2025.

The quarterly appropriation of earnings and cash dividends per share for 2025 had been proposed by the Company’s board of directors. The appropriations and dividends per share were as follows:

	The fourth quarter of 2025	The third quarter of 2025	The second quarter of 2025	The first quarter of 2025
Date of board resolution	2026.03.12	2025.11.12	2025.08.12	2025.05.12
Legal reserve	<u>\$ 17,532</u>	<u>\$ 21,716</u>	<u>\$ 18,098</u>	<u>\$ 39,156</u>
Special reserve	<u>\$ (475,516)</u>	<u>\$ (397,034)</u>	<u>\$ 1,021,639</u>	<u>\$ (224,082)</u>
Cash dividends	<u>\$ 105,193</u>	<u>\$ 130,298</u>	<u>\$ 108,590</u>	<u>\$ 127,877</u>
Cash dividends per share (NT\$)	\$ 0.83485996	\$ 1.03410477	\$ 0.86182011	\$ 1.0148906

The above cash dividends were distributed in accordance with the resolution of the board. The rest is yet to be approved by the shareholders in their meeting.

d. Other equity items

Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2025	2024
Balance on January 1	\$ (458,922)	\$ (739,116)
Recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	9,017	425
Share from subsidiaries accounted for using the equity method	<u>65,977</u>	<u>279,769</u>
Balance on December 31	<u>\$ (383,928)</u>	<u>\$ (458,922)</u>

22. REVENUE

The Company which sell components of various chains, motorcycle and vehicle. Contract revenue is as follows:

	For the Year Ended December 31	
	2025	2024
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 1,726,309</u>	<u>\$ 1,738,529</u>

a. Contract information

Revenue from sale of goods

Transmission goods are sold at respective fixed amounts as agreed in the contracts. Accounts receivable, which usually have short term of payment and without significant financing component, are recognized in most of contract when the goods are transferred, and the Company has an unconditional right to receive the transaction price. Some of contract set that the Company receive part of transaction price before transferring the goods to the buyers. The Company has the obligation to undertake the transfer, which contract liabilities are recognized.

b. Contract balances

	December 31, 2025	December 31, 2024	January 1, 2024
Notes receivable (Note 9)	\$ 2,472	\$ 2,026	\$ 7,666
Accounts receivable (Note 9)	90,356	94,659	49,092
Accounts receivable from related parties (Note 9)	<u>262,225</u>	<u>523,682</u>	<u>127,537</u>
	<u>\$ 355,053</u>	<u>\$ 620,367</u>	<u>\$ 184,295</u>
Contract liabilities (Note 19)			
Sale of goods	<u>\$ 11,375</u>	<u>\$ 24,781</u>	<u>\$ 11,076</u>

The changes in the balance of contract liabilities primarily result from the timing of the performance obligations which were satisfied.

Revenue recognized in the current year that was included in the contract liability balance on the beginning of the year and from the performance obligations satisfied in the previous periods is as follows:

	For the Year Ended December 31	
	2025	2024
From contract liabilities at the start of the year		
Sale of goods	\$ <u>24,781</u>	\$ <u>11,076</u>

23. NET PROFIT

a. Interest income

	For the Year Ended December 31	
	2025	2024
Bank deposits and financial assets at amortized cost	\$ <u>11,873</u>	\$ <u>12,864</u>

b. Other income

	For the Year Ended December 31	
	2025	2024
Rental income	\$ 12	\$ 12
Others	<u>2,410</u>	<u>2,006</u>
	\$ <u>2,422</u>	\$ <u>2,018</u>

c. Other gains and losses

	For the Year Ended December 31	
	2025	2024
Foreign exchange gains	\$ 62,692	\$ 21,451
Foreign exchange losses	(64,258)	(14,556)
Loss on financial products at fair value through loss	(100)	(100)
Others	<u>(24,328)</u>	<u>(16,103)</u>
	\$ <u>(25,994)</u>	\$ <u>(9,308)</u>

d. Finance cost

	For the Year Ended December 31	
	2025	2024
Interest on bank loans	\$ 27,753	\$ 25,488
Interest on convertible bonds	16,475	16,237
Interest on bills payable	1,444	1,119
Interest on lease liabilities	<u>76</u>	<u>26</u>
	\$ <u>45,748</u>	\$ <u>42,870</u>

e. Depreciation and amortization

	For the Year Ended December 31	
	2025	2024
An analysis of depreciation by function		
Operating expenses	\$ <u>2,791</u>	\$ <u>3,361</u>
An analysis of amortization by function		
Operating expenses	\$ <u>6,658</u>	\$ <u>7,125</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2025	2024
Short-term employee benefits		
Payroll expense	\$ 68,395	\$ 52,080
Labor and health insurance expense	4,475	4,134
Others	<u>1,283</u>	<u>1,340</u>
	74,153	57,554
Post-employment benefits		
Defined contribution plans	<u>2,029</u>	<u>2,060</u>
	\$ <u>76,182</u>	\$ <u>59,614</u>
An analysis of employee benefits expense by function		
Operating expenses	\$ <u>76,182</u>	\$ <u>59,614</u>

g. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrued compensation of employees and remuneration of directors at the rates of 0.5%-5% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. In accordance with the amendments to the Securities and Exchange Act in August 2024, the shareholders of the Company resolved the amendments to the Company's Articles at their 2025 annual general meeting. The amendments explicitly stipulate that in any fiscal year in which the Company realizes a profit, after offsetting accumulated losses, a sum of no less than 0.1% shall be allocated - beyond the provision for employee and directors' remuneration - for the purpose of adjusting the salaries or distributing compensation to grassroots employees.

The compensation of employees and remuneration of directors and supervisors for the year ended December 31, 2025 and 2024 which were approved by the Company's board of directors on March 12, 2026 and March 12, 2025, respectively are as follows:

Accrual rate

	For the Year Ended December 31	
	2025	2024
Compensation of employees	0.66%	0.75%
Remuneration of directors	0.73%	0.80%

Amount

	For the Year Ended December 31	
	2025	2024
	Cash	Cash
Compensation of employees	\$ 7,500	\$ 7,819
Remuneration of directors	8,400	8,400

If there is a change in the amounts after the annual parent company only financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the parent company only financial statements for the years ended December 31, 2024 and 2023.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2025	2024
Current tax		
In respect of the current year	\$ 119,231	\$ 140,650
Income tax on unappropriated earnings	27,731	6,292
Adjustments for prior periods	<u>2,000</u>	<u>(1,333)</u>
	148,962	145,609
Deferred tax		
In respect of the current year	<u>14,127</u>	<u>(29,388)</u>
Income tax expense recognized in profit	<u>\$ 163,089</u>	<u>\$ 116,221</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2025	2024
Profit before income tax	<u>\$ 1,128,112</u>	<u>\$ 1,032,782</u>
Income tax expense calculated at the statutory rate	\$ 225,622	\$ 206,556
Permanent differences	(92,264)	(95,294)
Income tax on unappropriated earnings	27,731	6,292
Adjustments for prior years' tax	<u>2,000</u>	<u>(1,333)</u>
Income tax expense recognized in profit	<u>\$ 163,089</u>	<u>\$ 116,221</u>

b. Current tax liabilities

	December 31	
	2025	2024
Current tax liabilities		
Income tax payable	\$ 212,676	\$ 84,033

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2025

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred Tax Assets</u>			
Temporary differences			
Unrealized foreign exchange loss	\$ 350	\$ (350)	\$ -
Unrealized gross profit	66,459	(12,494)	53,965
	<u>\$ 66,809</u>	<u>\$ (12,844)</u>	<u>\$ 53,965</u>

Deferred Tax Assets

Temporary differences			
Unrealized foreign exchange loss	\$ -	\$ 1,283	\$ 1,283

For the year ended December 31, 2024

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred Tax Assets</u>			
Temporary differences			
Unrealized foreign exchange loss	\$ 1,545	\$ (1,195)	\$ 350
Unrealized gross profit	35,876	30,583	66,459
	<u>\$ 37,421</u>	<u>\$ 29,388</u>	<u>\$ 66,809</u>

d. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized.

As of December 31, 2025 and 2024, the taxable temporary differences associated with investments in subsidiaries and branches for which no deferred tax liabilities have been recognized were \$4,641,290 thousand and \$4,123,745 thousand, respectively.

e. Income tax assessments

The tax returns of the Company through 2023 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2025	2024
Profit for the year attributable to owners of the Company	\$ 965,023	\$ 916,561
Effect of potentially dilutive ordinary shares:		
Convertible bonds	<u>16,208</u>	<u>16,130</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 981,231</u>	<u>\$ 932,691</u>

Number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2025	2024
Weighted average number of ordinary shares used in the computation of basic earnings per share	126,001	126,001
Effect of potentially dilutive ordinary shares:		
Convertible bonds	7,911	7,727
Compensation of employees	<u>98</u>	<u>77</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>134,010</u>	<u>133,805</u>

The Company may settle the compensation of employees in cash or shares, the Company assume that the entire amount of the compensation will be settled in shares, and any resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

26. CAPITAL MANAGEMENT

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, retained earnings and other equity). Maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's capital management is to ensure that it has the necessary financial resources and operating plans to meet the needs of future working capital, debt repayment and dividend payments.

The Company is not subject to any externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

In the standalone financial statements, for financial instruments that are not measured at fair value, the carrying amounts recognized approximate the fair value; these financial instruments include cash and cash equivalents, financial assets at amortized cost - current, notes and accounts receivable (including

related parties), other receivables (including related parties), refundable deposits (classified under other non-current assets), bank loans, short-term bills payable, accounts payable (including related parties), other payables (including related parties), and dividends payable.

December 31, 2025

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Convertible bonds	\$ 985,628	\$ -	\$ -	\$ 987,301	\$ 987,301

December 31, 2024

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Convertible bonds	\$ 969,153	\$ -	\$ -	\$ 969,403	\$ 969,403

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2025

Financial Assets at FVTPL	Convertible Bonds
Balance on January 1, 2025	\$ 100
Recognized in profit or loss (included in other gains and losses)	(100)
Balance on December 31, 2025	\$ -

For the year ended December 31, 2024

Financial Assets at FVTPL	Convertible Bonds
Balance on January 1, 2024	\$ 200
Recognized in profit or loss (included in other gains and losses)	(100)
Balance on December 31, 2024	\$ 100

2) Evaluation technique and inputs applied for Level 3 fair value measurement

Derivatives-convertible bond redemption rights are estimated by using a binary tree transferable evaluation model to estimate the fair value, and the significant unobservable input used is the stock price volatility. When the volatility of stock prices increases, the fair value of the derivatives will increase.

c. Categories of financial instruments

	December 31	
	2025	2024
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ -	\$ 100
Financial assets at amortized cost (1)	916,044	1,044,037
<u>Financial liabilities</u>		
Amortized cost (2)	2,673,991	2,857,000

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including related parties), financial assets at amortized cost-current, and refundable deposits (classified under other non-current assets).
- 2) The balances include financial liabilities measured at amortized cost, which comprise short-term borrowings, short-term bills payable, accounts payable (including related parties), other payables (including related parties), bonds payable (including current portion) and long-term borrowings.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable, borrowings and lease liabilities. The Company's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company has foreign currency denominated sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Company was mainly exposed to the currencies United States dollars (USD), Euro dollars (EUR) and Ren Min Bi (RMB).

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (NTD, the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management

personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in profit before income tax that would result when NTD weakens by 1% against the relevant currency. For a 1% strengthening of NTD against the relevant currency, there would be an equal and opposite impact on the profit before income tax and the balances below would be negative.

	USD impact	
	For the Year Ended December 31	
	2025	2024
Profit or loss	\$ 3,947	\$ 3,382
	EUR impact	
	For the Year Ended December 31	
	2025	2024
Profit or loss	\$ 493	\$ 4,848
	RMB impact	
	For the Year Ended December 31	
	2025	2024
Profit or loss	\$ (73)	\$ (1,287)

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	December 31	
	2025	2024
Fair value interest rate risk		
Financial assets	\$ 342,247	\$ 218,134
Financial liabilities	989,191	1,074,067
Cash flow interest rate risk		
Financial assets	210,675	197,893
Financial liabilities	1,307,028	1,400,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Company's profit before tax for the year ended December 31, 2025 and 2024 would decrease by \$10,964 thousand and \$12,021 thousand, respectively; the change was mainly attributable to the Company's exposure to cash flow interest rate risk on its variable-rate bank borrowings and

deposits.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As of the balance sheet date, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantees provided by the Company.

The Company's customers are creditworthy counterparties; the customers were no significant credit risk exposure. The Company continuously review the customer's credit status.

The Company's concentration of credit risk was attributable to the Company's main customer, accounting for 74% and 85% of the total accounts receivable as of December 31, 2025 and 2024, respectively.

	December 31	
	2025	2024
Wincorp Enterprises Limited	\$ 43,142	\$ 58,974
KMC Chain Europe N.V.	205,537	446,105
KMC Chain American Corporation	<u>13,144</u>	<u>18,601</u>
	<u><u>\$ 261,823</u></u>	<u><u>\$ 523,680</u></u>

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2025 and 2024, the Company had available unutilized short-term and long-term bank loan facilities set out in (c) below.

- a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the yield curves at the end of the reporting period.

December 31, 2025

	Less than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Non-interest bearing liabilities	\$ 620,223	\$ -
Lease liabilities	1,982	1,642
Variable interest rate liabilities	294,028	1,015,918
Fixed interest rate liabilities	<u>1,012,251</u>	<u>-</u>
	<u>\$ 1,928,484</u>	<u>\$ 1,017,560</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 1,982</u>	<u>\$ 1,642</u>

December 31, 2024

	Less than 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>		
Non-interest bearing liabilities	\$ 737,331	\$ -
Lease liabilities	1,897	3,265
Variable interest rate liabilities	1,104,680	300,000
Fixed interest rate liabilities	<u>83,465</u>	<u>1,012,044</u>
	<u>\$ 1,927,373</u>	<u>\$ 1,315,309</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years
Lease liabilities	<u>\$ 1,897</u>	<u>\$ 3,265</u>

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2025	2024
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	\$ 1,307,028	\$ 1,400,000
Amount unused	<u>5,480,972</u>	<u>3,868,000</u>
	<u>\$ 6,788,000</u>	<u>\$ 5,268,000</u>

28. TRANSACTIONS WITH RELATED PARTIES

The Company's parent, ultimate parent, and ultimate controlling party is KMC Transton Industries Limited, which held 37.99% and 37.63% of the Company's ordinary shares as of December 31, 2025 and 2024, respectively. Persons representing the ultimate controlling party constitute the key management personnel of the Company.

Besides as disclosed elsewhere in the other notes, details of transaction between the Company and other related parties are disclosed as follows:

a. Related party name and category

Name of Related Party	Relationship with the Company
KMC Transton Industries Limited	Ultimate parent company
KMC Chain Industrial Co., Ltd.	Subsidiary
K.M.C. Automobile Transmission Co., Ltd.	Subsidiary
Kynamic Inc.	Subsidiary
KMC Chain (Vietnam) Co., Ltd.	Subsidiary
KMC Industries (Vietnam) Co., Ltd.	Subsidiary
KMC Chain (Shenzhen) Co., Ltd.	Subsidiary
KMC Chain (Suzhou) Co., Ltd	Subsidiary
KMC International Trading (Taicang) Co., Ltd.	Subsidiary
KMC Chain Europe N.V.	Subsidiary
KMC Chain American Corporation	Subsidiary
P.T. Kuei Meng Chain Indonesia	Subsidiary
Wincorp Enterprises Limited	Same members of the key management personnel

b. Sales of goods

Related Party Type / Name	For the Year Ended December 31	
	2025	2024
<u>Subsidiary</u>		
KMC Chain Europe N.V.	\$ 767,449	\$ 899,569
KMC Chain American Corporation	68,779	62,941
KMC Chain Industrial Co., Ltd.	674	1,062
<u>Same members of the key management personnel</u>		
Wincorp Enterprises Limited	<u>166,885</u>	<u>\$ 156,762</u>
	<u>\$ 1,003,787</u>	<u>\$ 1,120,334</u>

The prices and terms to related parties were negotiated by considering the location of sales, product type and sales amount and not significantly different from transaction with third parties. The credit terms for related parties were 60 to 90 days and for non-related parties were 30 to 90 days.

c. Purchases of goods

Related Party Type / Name	For the Year Ended December 31	
	2025	2024
<u>Subsidiary</u>		
KMC Chain Industrial Co., Ltd.	\$ 386,986	\$ 344,683
KMC Chain (Shenzhen) Co., Ltd.	473,394	477,259
KMC Chain (Vietnam) Co., Ltd.	46,365	36,558
KMC Chain (Suzhou) Co., Ltd	<u>18,784</u>	<u>19,457</u>
	<u>\$ 925,529</u>	<u>\$ 877,957</u>

The purchase prices and terms were negotiated with related parties and cannot be compared with the price and terms with third parties. The credit terms of related parties were 45 to 150 days.

d. Receivables from related parties

Account Item	Related Party Type / Name	December 31	
		2025	2024
Accounts receivable from related parties	<u>Subsidiary</u>		
	KMC Chain Europe N.V.	\$ 205,537	\$ 446,105
	KMC Chain American Corporation	13,144	18,601
	KMC Chain Industrial Co., Ltd.	402	2
	<u>Same members of the key management personnel</u>		
	Wincorp Enterprises Limited	<u>43,142</u>	<u>58,974</u>
		<u>\$ 262,225</u>	<u>\$ 523,682</u>
Other receivables from related parties	<u>Subsidiary</u>		
	KMC Chain American Corporation	<u>\$ 6,600</u>	<u>\$ 6,885</u>

The outstanding receivables from related parties are unsecured. For the year ended December 31, 2025 and 2024, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties

Account Item	Related Party Type / Name	December 31	
		2025	2024
Accounts payable from related parties	<u>Subsidiary</u>		
	KMC Chain Industrial Co., Ltd.	\$ 84,199	\$ 82,055
	KMC Chain (Shenzhen) Co., Ltd.	215,321	246,443
	KMC Chain Europe N.V.	28,446	9,996
	Others	<u>8,375</u>	<u>6,489</u>
		<u>\$ 336,341</u>	<u>\$ 344,983</u>
Other payables from related parties	<u>Subsidiary</u>		
	KMC Chain Europe N.V.	<u>\$ 10,716</u>	<u>\$ 2,074</u>

The outstanding payables to related parties are unsecured and would be paid in cash.

f. Lease arrangements - Company as lessee

Acquisition of right-of-use assets

The Company leases offices from the parent company. The lease terms are from November 2024 to October 2027, and the rentals are paid quarterly.

Account Item	Related Party Category	December 31	
		2025	2024
Lease liabilities	Parent company	<u>\$ 2,702</u>	<u>\$ 4,137</u>
		For the Year Ended December 31	
	Related Party Category	2025	2024
<u>Interest expense</u>			
Parent company		<u>\$ 64</u>	<u>\$ 17</u>
<u>Depreciation expenses</u>			
Parent company		<u>\$ 1,458</u>	<u>\$ 1,479</u>

g. Others

Account Item	Related Party Type	For the Year Ended December 31	
		2025	2024
Other income	Subsidiary	<u>\$ 580</u>	<u>\$ 651</u>

h. Compensation of key management personnel

	For the Year Ended December 31	
	2025	2024
Short-term employee benefits	\$ <u>12,117</u>	\$ <u>12,008</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2025

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 12,706	31.43 (USD : NTD)	\$ 399,337
EUR	5,753	36.9 (EUR : NTD)	212,297
RMB	47,179	4.496 (RMB : NTD)	212,115
<u>Non-monetary items</u>			
Investments accounted for using the equity method			
USD	827	31.43 (USD : NTD)	25,979
EUR	3,921	36.9 (EUR : NTD)	144,692
<u>Financial liabilities</u>			
Monetary items			
USD	148	31.43 (USD : NTD)	4,659
EUR	4,416	36.9 (EUR : NTD)	162,947
RMB	48,811	4.496 (RMB : NTD)	219,456

December 31, 2024

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$ 10,357	32.785 (USD : NTD)	\$ 339,544
EUR	14,262	34.140 (EUR : NTD)	486,906
RMB	27,493	4.478 (RMB : NTD)	123,114

Non-monetary items

Investments accounted for using the equity method

USD	738	32.785 (USD : NTD)	24,203
EUR	2,580	34.140 (EUR : NTD)	88,085

Financial liabilities

Monetary items			
USD	42	32.785 (USD : NTD)	1,369
EUR	63	34.140 (EUR : NTD)	2,153
RMB	56,240	4.478 (RMB : NTD)	251,845

The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
Foreign Currency	2025		2024	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	31.43 (USD:NTD)	\$ 3,635	32.785 (USD:NTD)	\$ 14,697
EUR	36.9 (EUR:NTD)	6,695	34.14 (EUR:NTD)	(6,164)
RMB	4.496 (RMB:NTD)	<u>(11,896)</u>	4.478 (RMB:NTD)	<u>(1,638)</u>
		<u>\$ (1,566)</u>		<u>\$ 6,895</u>

30. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and investees:
 - 1) Financing provided to others. (Table 1)
 - 2) Endorsements/guarantees provided. (N/A)
 - 3) Marketable securities held (excluding investment in subsidiaries and associates). (N/A)
 - 4) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 2)
 - 5) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
 - 6) Trading in derivative instruments. (Note 7)
- b. Information on investees. (Table 4)
- c. Information on investments in mainland China:
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss of investee, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income or loss, and the limit on amount of investment in the mainland China area. (Table 5)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period. (Table 6)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period. (Table 6)
 - c) The amount of property transactions and the amount of the resultant gains or losses. (N/A)
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes. (N/A)
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds. (N/A)
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services. (N/A)

TABLE 1**KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES**

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note 2)	Business Transaction Amount (Note 3)	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limit (Note 1)	Note
													Item	Value			
1	KMC Chain (Vietnam) Co., Ltd.	KMC Industries (Vietnam) Co., Ltd.	Other receivable	Y	\$ 31,430 (USD 1,000 thousand or its equivalent in other currencies)	\$ 31,430 (USD 1,000 thousand or its equivalent in other currencies)	\$ 31,313 (VND 26,000,000 thousand)	4.6%-5.9%	2	\$ -	Operating capital	\$ -	-	-	\$ 2,287,379	\$ 17,773,065	

Note 1: The upper limit is equivalent to 500% of the net asset value of financier. But the total upper limit is equivalent to 200% of the net asset value of the Company.

Note 2: Nature of financing:

- 1) For business transaction is 1.
- 2) For short-term financing is 2.

Note 3: The needed amount for operation in the latest year.

Note 4: The rate of exchange was NT\$31.43 to one USD.

Note 5: The rate of exchange was NT\$0.00120435 to one VND.

TABLE 2

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 FOR THE YEAR ENDED DECEMBER 31, 2025
 (In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
KMC (KUEI MENG) International Inc.	KMC Chain Europe N.V.	Subsidiary	Sales	\$ (767,499)	(44)	Net 90 days after month end close	Negotiation method	No comparable payment terms for general customers	\$ 205,537	58	
	Wincorp Enterprise Limited	Same members of the key management personnel	Sales	(166,885)	(10)	Net 120 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	43,142	12	
	KMC Chain Industrial Co., Ltd.	Subsidiary	Purchases	386,986	40	Net 60 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	(84,199)	(25)	
	KMC Chain (Shenzhen) Co., Ltd.	Subsidiary	Purchases	473,394	49	Net 150 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	(215,321)	(63)	
K.M.C Automobile Transmission Co., Ltd.	KMC Automobile Transmission Co., Ltd.	Fellow subsidiary	Purchases	169,271	62	Net 60 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	(31,273)	(56)	
	KMC (Suzhou) Automobile Transmission Co., Ltd.	Fellow subsidiary	Purchases	198,812	73	Net 60 days after month end close	No comparable sales prices for general customers	No comparable sales prices for general customers	(20,470)	(37)	
KMC Transmission (Tianjin) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Fellow subsidiary	Sales	(188,489)	(37)	Net 90 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	62,290	44	
	Suzhou Maya Trading Co., Ltd.	Fellow subsidiary	Sales	(188,160)	(37)	Net 120 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	47,051	33	
KMC Chain (Shenzhen) Co., Ltd.	Suzhou KMC Industry and Trade Co., Ltd.	Fellow subsidiary	Sales	(110,277)	(14)	Net 60 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	14,158	5	
KMC Chain (Suzhou) Co., Ltd.	Taichang Tec Industry and Trade Co., Ltd.	Fellow subsidiary	Sales	(163,336)	(27)	Net 60 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	48,109	26	
	Suzhou Maya Trading Co., Ltd.	Fellow subsidiary	Sales	(100,051)	(17)	Net 120 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	24,103	13	
	Suzhou KMC Industry and Trade Co., Ltd.	Fellow subsidiary	Sales	(151,163)	(25)	Net 90 days after month end close	No comparable sales prices for general customers	No comparable payment terms for general customers	30,087	16	

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
KMC (KUEI MENG) International Inc.	KMC Chain Europe N.V.	Subsidiary	\$ 205,537	2.36	\$ -	-	\$ 84,344	\$ -
KMC Chain (Shenzhen) Co., Ltd.	KMC (KUEI MENG) International Inc.	Parent company	215,321	2.05	-	-	80,204	-

TABLE 4**KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES**

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2025			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2025	December 31, 2024	Shares	%	Carrying Amount			
KMC (KUEI MENG) International Inc.	KMC Chain Industrial Co., Ltd.	Taiwan	Manufacturing, selling various chains and components of motorcycle and vehicle	\$ 8,961,427	\$ 8,661,427	92,000,000	100	\$ 10,112,465	\$ 488,500	\$ 479,261	
	Pro (Taiwan) Procurement Co., Ltd.	Taiwan	Selling various bicycle components	12,250	12,250	1,225,000	49	13,093	719	352	
	K.M.C. Automobile Transmission Co., Ltd.	Taiwan	Selling equipment and materials for chains and designing products	597,520	597,520	3,253,812	100	660,572	23,539	23,539	
	Kynamic Inc.	Taiwan	After-sales service treatment of electric bicycles	80,000	80,000	1,500,000	100	41,620	(6,804)	(6,804)	
	KMC Industries (Vietnam) Co., Ltd.	Vietnam	Selling various chains and components	31,430	32,785	-	100	25,979	3,445	3,445	
	KMC Global GmbH	Germany	Selling parts and accessories other than bicycle chains	(USD 1,000 thousand) 110,700 (EUR 3,000 thousand)	(USD 1,000 thousand) 102,420 (EUR 3,000 thousand)	-	100	144,692	(5,590)	(5,590)	
KMC Chain Industrial Co., Ltd.	KMC (BVI) Holding Co., Ltd.	British Virgin IS	Investing activities	16,344 (USD 520 thousand)	17,048 (USD 520 thousand)	520,000	100	461,589	4,322		
	KMC Chain Europe N.V.	Netherlands	Selling various bicycle chains and components	320,919	320,919	100	100	902,175	28,106		
	KMC Chain American Corporation	United States	Selling various bicycle chains and components	130,845	130,845	10,000	100	287,271	21,068		
	P.T. Kuei Meng Chain Indonesia	Indonesia	Selling various motorcycle chains and components	24,750	24,750	-	99	(2,997)	(7,237)		
KMC (BVI) Holding Co., Ltd.	KMC Chain (Vietnam) Co., Ltd.	Vietnam	Manufacturing and selling various chains and components	94,290 (USD 3,000 thousand)	98,355 (USD 3,000 thousand)	-	100	461,337	4,643		
KMC Chain Europe N.V.	KME B.V.	Netherlands	Leasing owned properties and plant	152,987 (EUR 4,146 thousand)	141,544 (EUR 4,146 thousand)	120	100	161,713	4,627		
Kynamic Inc.	Kynamic Europe B.V.	Netherlands	After-sales service treatment of electric bicycles	22,140 (EUR 600 thousand)	20,518 (EUR 600 thousand)	-	100	17,800	(365)		

Note: Please refer to Table 5 for the information on investments in mainland China.

TABLE 5

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2025	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2025	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2025	Accumulated Repatriation of Investment Income as of December 31, 2025	Note
					Outward	Inward							
KMC Investment (China) Co., Ltd.	Investing activities and selling of various bicycle chains and accessories.	\$ 4,772,832 (RMB 1,061,573 thousand)	1.(1)	\$ 5,036,936	\$ -	\$ -	\$ 5,036,936	\$ 464,513	100	\$ 464,513	\$ 8,400,239	\$ -	
KMC Transmission (Tianjin) Co., Ltd.	Manufacturing and selling of various bicycle chains and accessories.	399,200 (RMB 88,790 thousand)	1.(3)	1.(3)	-	-	1.(3)	31,750	100	25,922	677,060	-	Note 5
Taichang Tec Industry and Trade Co., Ltd.	Selling of various bicycle chains and accessories.	8,992 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	(1,714)	100	(1,714)	41,330	-	
Suzhou KMC Industry and Trade Co., Ltd.	Selling of various bicycle chains and accessories.	8,992 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	152,510	100	152,510	172,036	-	
KMC Chain (Shenzhen) Co., Ltd.	Manufacturing and selling various chains of bicycle.	781,441 (RMB 173,808 thousand)	1.(3)	1.(3)	-	-	1.(3)	37,186	100	6,790	2,183,068	-	Note 5
KMC Chain (Suzhou) Co., Ltd.	Manufacturing and selling various chains of bicycle.	362,836 (RMB 80,702 thousand)	1.(3)	1.(3)	-	-	1.(3)	215,161	100	204,118	1,086,097	-	Note 5
KMC Automotive Transmission Co., Ltd.	Manufacturing and selling ATS.	184,336 (RMB 41,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	14,347	100	14,347	350,041	-	
KMC Transton Company Limited.	Manufacturing and selling GDO.	40,464 (RMB 9,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	32,481	100	32,481	352,900	-	
Shenzhen KMC Industrial Co., Ltd.	Selling of GDO.	4,496 (RMB 1,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	29,909	100	29,909	62,285	-	
Suzhou Maya Trading Co., Ltd.	Selling of various bicycle chains and accessories.	49,456 (RMB 11,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	2,169	100	(8,512)	228,975	-	Note 5
KMC International Trading (Taichang) Co., Ltd.	Selling of various bicycle chains and accessories.	8,992 (RMB 2,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	(205)	100	(205)	22,498	-	
KMC (Suzhou) Automotive Transmission Co., Ltd.	Manufacturing and selling ATS	143,872 (RMB 32,000 thousand)	1.(3)	1.(3)	-	-	1.(3)	13,331	100	13,331	178,140	-	

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 4,769,424 (RMB 1,060,815 thousand)	\$ 6,207,991 (USD 197,518 thousand)	\$ - (Note 3)

Note 1: The investing methods are categorized as follows:

- 1) Direct investment in companies in mainland China.
- 2) Investment in companies in mainland China, which is made by a company incorporated via a third region.
- 3) Others (invested by KMC Investment (China) Co., Ltd.)

Note 2: The recognition of gains or losses on investment is based on the financial statements audited by the certified public accountant of the parent company in Taiwan.

Note 3: Pursuant to the No. 0970460680 of the Ministry of Economic Affairs, ROC which amended the 'Guidelines Governing the Review of Investment or Technical Cooperation in the Mainland Area' dated August 29, 2008, as KMC Chain Industrial Co., Ltd. has obtained the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA, the ceiling amount of the investment in Mainland China is not applicable to the Company.

Note 4: The rates of exchange were NT\$4.496 to one RMB and NT\$31.43 to one US dollar.

Note 5: The difference between share of profit and net income of the investee was due to the difference between the investment cost and fair value of identifiable net assets acquired.

TABLE 6

KMC (KUEI MENG) INTERNATIONAL INC. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Buyer	Counterparty	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Unrealized Gain
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
KMC (KUEI MENG) International Inc. K.M.C. Automobile Transmission Co., Ltd.	KMC Chain (Shenzhen) Co., Ltd.	Subsidiary	Purchases	\$ 473,394	18	Net 150 days after month end close	Bargain	Equivalent	\$ (215,321)	(63)	(\$ 3,172)
	KMC Automotive Transmission Co., Ltd.	Fellow subsidiary	Purchases	169,271	6	Net 60 days after month end close	Bargain	Equivalent	(31,273)	(56)	-
	KMC (Suzhou) Automotive Transmission Co., Ltd.	Fellow subsidiary	Purchases	198,812	7	Net 60 days after month end close	Bargain	Equivalent	(20,470)	(37)	-

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STATEMENT 1**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Maturities	Rate (%)	Amount
Cash in hand and revolving Funds			\$ <u>31</u>
Deposits			
Foreign currency deposits (Note 1)			152,648
Demand deposits			<u>58,027</u>
			<u>210,675</u>
Cash equivalents			
Time deposits (Note 2)	2026.03	3.83 - 4.05	62,860
Repurchase agreements collateralized by bonds (Note 3)	2026.01	4	47,145
			<u>110,005</u>
			<u>\$ 320,711</u>

Note 1: Including USD \$4,106,695, EUR \$96,335 and CNY \$4,452,725 (USD \$1=NT \$31.43, EUR \$1=NT \$36.9 and CNY \$1=NT \$4.496)

Note 2: USD \$2,000,000 (US \$1=NT \$31.43)

Note 3: Including USD \$1,500,000 (US \$1=NT \$31.43)

STATEMENT 2

KMC (KUEI MENG) INTERNATIONAL INC.

STATEMENT OF NOTES RECEIVABLE

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Customer Name	Amount
Company A	\$ 1,236
Company B	561
Company C	190
Company D	182
Company E	171
Other (Note)	<u>132</u>
	<u>\$ 2,472</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 3**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF ACCOUNTS RECEIVABLE (INCLUDING RELATED PARTIES)****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Non-related Parties	
Company F	\$ 21,977
Company G	6,000
Company H	5,304
Company I	5,279
Others (Note)	<u>51,796</u>
	<u>\$ 90,356</u>
Less: Allowance for impairment loss	
Related parties	
K.M.C Chain Europe N.V.	\$ 205,537
Wincorp Enterprises Limited	43,142
KMC Chain American Corporation	13,144
KMC Chain Industrial Co., LTD	<u>402</u>
	<u>\$ 262,225</u>

Note: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 4

KMC (KUEI MENG) INTERNATIONAL INC.

STATEMENT OF INVENTORIES

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Item	Description	Amount	
		Cost	Net Realizable Value
Merchandise	Mainly for chains	<u>\$ 38,403</u>	<u>\$ 62,374</u>

Note: The net realizable value of inventory is the latest selling price less the estimated costs of completion and disposal.

KMC (KUEI MENG) INTERNATIONAL INC.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2025
 (In Thousands of New Taiwan Dollars)

	Balance, January 1, 2025		Additions						Balance, December 31, 2025						
							Exchange Differences on Translation of Financial Statements of Foreign Operations	Gain on defined benefit liabilities		Proportion of Ownership (%)					
Investee Company	Shares	Amount	Shares	Amount	Gain (loss) on Investments	Allotted Cash Dividends					Amount	Fair Value	Collateral		
Investment accounted for using the equity method															
KMC Chain Industrial Co., Ltd.	91,400,000	\$ 9,617,402	600,000	\$ 362,464	\$ 479,261	\$ (412,040)	\$ 64,635	\$ 743	92,000,000	100	\$ 10,112,465	\$ 9,644,255	None	Note	
K.M.C Automobile Transmission Co., Ltd.	3,253,812	681,398	-	-	23,539	(44,365)	-	-	3,253,812	100	660,572	80,260	None		
Kynamic Inc.	1,500,000	47,082	-	-	(6,804)	-	1,342	-	1,500,000	100	41,620	41,620	None		
KMC Industries (Vietnam) Co., Ltd.	-	24,203	-	-	3,445	-	(1,669)	-	-	100	25,979	25,979	None		
KMC Global GmbH	-	88,085	-	51,511	(5,590)	-	10,686	-	-	100	144,692	144,692	None		
		10,458,170		413,975	493,851	(456,405)	74,994	743			10,985,328	9,936,806			
Investment accounted for associate															
Pro (Taiwan) Procurement Co., Ltd.	1,225,000	13,980	-	-	352	(1,239)	-	-	1,225,000	49	13,093	13,093	None		
Total		\$ 10,472,150		\$ 413,975	\$ 494,203	\$ (457,644)	\$ 74,994	\$ 743			\$ 10,998,421	\$ 9,949,899			

Note: The increase was realized gain of NT\$62,464 thousand and additional investment of NT\$300,000.

STATEMENT 6**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2025****(In Thousands of New Taiwan Dollars)**

Promissory Institution	Balance	Maturity Date	Interest Rates (%)	Credit Line	Collateral
Export-Import Bank of the Republic of China	\$ 100,000	2025.02 - 2026.02	1.82	\$ 200,000	None
Mega International Commercial Bank	42,000	2025.09 - 2026.08	1.88	150,000	None
Cathay Bank	<u>152,028</u>	2025.09 - 2026.09	1.56	200,000	None
	<u>\$ 294,028</u>				

STATEMENT 7

KMC (KUEI MENG) INTERNATIONAL INC.

**STATEMENT OF ACCOUNTS PAYABLE FROM RELATED PARTIES
DECEMBER 31, 2025**

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
KMC Chain (Shenzhen) Co., Ltd.	\$ 215,321
KMC Chain Industrial Co., Ltd.	84,199
KMC Chain Europe N.V.	28,446
KMC Chain (Suzhou) Co., Ltd.	4,136
KMC Chain (Vietnam) Co., Ltd.	<u>4,239</u>
	<u>\$ 336,341</u>

KMC (KUEI MENG) INTERNATIONAL INC.

STATEMENT OF LONG-TERM BORROWINGS

DECEMBER 31, 2025

(In Thousands of New Taiwan Dollars)

Bank Name (Note)	Description	Interest Rates (%)	Current portion	Non-current portion	Balance	Loan Period	Collateral	Repayment terms
Mizuho Bank, Ltd.	Medium-term borrowings	1.85	\$ -	\$ 570,000	\$ 570,000	2025.12.31-2027.12.31	None	A lump sum payment made for the entirety of an outstanding loan amount at maturity
E.SUN Bank	Medium-term borrowings	1.85	-	343,000	343,000	2025.11.03-2027.11.03	None	A lump sum payment made for the entirety of an outstanding loan amount at maturity
Taipei Fubon Bank	Medium-term borrowings	1.93	-	100,000	100,000	2025.09.21-2027.09.20	None	A lump sum payment made for the entirety of an outstanding loan amount at maturity
			<u>\$ -</u>	<u>\$ 1,013,000</u>	<u>\$ 1,013,000</u>			

STATEMENT 9**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Item	Quantities (In Thousands, unit)	Amount
Transmission goods - BC	15,877	\$ 1,720,413
Transmission goods - MT	98	<u>5,972</u>
		1,726,385
Less: Sales discounts		<u>76</u>
Net operating revenue		<u>\$ 1,726,309</u>

STATEMENT 10

KMC (KUEI MENG) INTERNATIONAL INC.

**STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Item	Amount
Inventories, beginning of year	\$ 33,755
Add: Purchase	963,978
Others	(107)
Less: Inventories, end of year	<u>(38,403)</u>
Total operating costs	<u>\$ 959,223</u>

STATEMENT 11**KMC (KUEI MENG) INTERNATIONAL INC.****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Expected Credit Loss	Total
Payroll expense	\$ 26,714	\$ 41,681	\$ -	\$ -	\$ 68,395
Advertisement expense	8,610	60	13	-	8,683
Software expense	1,225	8,692	148	-	10,065
Professional service fee	297	6,762	-	-	7,059
Amortization expense	1,346	5,136	176	-	6,658
Gains from reversed expected credit impairment	-	-	-	(395)	(395)
Others (Note)	<u>25,976</u>	<u>11,548</u>	<u>205</u>	<u>-</u>	<u>37,729</u>
Total	<u>\$ 64,168</u>	<u>\$ 73,879</u>	<u>\$ 542</u>	<u>\$ (395)</u>	<u>\$ 138,194</u>

Note : The amount of each item included in others does not exceed 5% of the account balance.

STATEMENT 12**KMC (KUEI MENG) INTERNATIONAL INC.**
**STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)**

	<u>For the Year Ended December 31, 2025</u> Classified as Operating Expenses	<u>For the Year Ended December 31, 2024</u> Classified as Operating Expenses
Employee benefits		
Salaries	\$ 56,278	\$ 40,072
Labor and health insurance	4,475	4,134
Pension	2,029	2,060
Remuneration of directors	12,117	12,008
Others	<u>1,283</u>	<u>1,340</u>
	<u>\$ 76,182</u>	<u>\$ 59,614</u>
Depreciation	<u>\$ 2,791</u>	<u>\$ 3,361</u>
Amortization	<u>\$ 6,658</u>	<u>\$ 7,125</u>

Note 1: As of December 31, 2025 and 2024, the Company had 56 and 54 employees, respectively, which included 3 non-employee directors in both 2025 and 2024.

Note 2: Additional disclosures are as follows:

1. Average employee benefits for the year ended December 31, 2025 was NT\$1,209 thousand (amounts of employee benefits for the year ended December 31, 2025 less amounts of remuneration of directors for the year ended December 31, 2025/number of employees for the year ended December 31, 2025 less number of directors not serving concurrently as employees for the year ended December 31, 2025).

Average employee benefits for the year ended December 31, 2024 was NT\$933 thousand (amounts of employee benefits for the year ended December 31, 2024 less amounts of remuneration of directors for the year ended December 31, 2024/number of employees for the year ended December 31, 2024 less number of directors not serving concurrently as employees for the year ended December 31, 2024).

2. Average salaries for the year ended December 31, 2025 was NT\$1,062 thousand (amounts of salaries for the year ended December 31, 2025/number of employees for the year ended December 31, 2025 less number of directors not serving concurrently as employees for the year ended December 31, 2025).

Average salaries for the year ended December 31, 2024 was NT\$786 thousand (amounts of salaries for the year ended December 31, 2024/number of employees for the year ended December 31, 2024 less number of directors not serving concurrently as employees for the year ended December 31, 2024).

3. Changes of adjustments of average salaries was 35% (average salaries for the year ended December 31, 2025 less average salaries for the year ended December 31, 2024/average salaries for the year ended December 31, 2024).
4. The Company did not have supervisors for the years ended December 31, 2025 and 2024.
5. The Company's compensation policies:
 - a. The company's directors' remuneration is negotiated based on their participation in the company's operations and the value of their contributions. And Independent directors receive fixed remuneration.
 - b. The remuneration of managers is determined based on their job responsibilities, contribution to the Company as well as the Company's operating performance for the year.