

NAN JUEN INTERNATIONAL CO., LTD.
**Parent Company Only Financial Statements and Independent
Auditors' Report**
2025 and 2024

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The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China.

If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To: The Board of Directors of NAN JUEN INTERNATIONAL CO., LTD.

Audit Opinions

We have reviewed the accompanying parent company only balance sheet of NAN JUEN INTERNATIONAL CO., LTD. as of December 31, 2025 and 2024, and the parent company only, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of NAN JUEN INTERNATIONAL CO., LTD. as of December 31, 2025 and 2024, its parent company only financial performance and cash flows for the years then ended.

Basis for the audit opinion

We conducted the audit in accordance with the Regulations Governing the Audit of Financial Statements and Auditing Standards. Our responsibilities under these standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We comply with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China and are independent of NAN JUEN INTERNATIONAL CO., LTD.. We have also 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 2025 parent company only financial statements. 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 key audit matters determined by us to be communicated on the audit report are as follows:

I. Revenue recognition

For the accounting policy regarding revenue recognition, please refer to the parent company only financial statements Note 4(13) Revenue recognition; for the description of revenue recognition, please refer to the parent company only financial statements Note 6(17) Revenue from contracts with customers.

Description of Key Audit Matters:

The main business of NAN JUEN INTERNATIONAL CO., LTD. is the research and development, manufacturing, and trading of steel ball guide rails. Since operating revenue is one of the important items in the financial statements, and it is expected to be one of the concerns of financial statement users, therefore, the testing of revenue recognition is one of the important evaluation matters in our audit of the parent company only financial statements.

The corresponding audit procedures:

Our audit procedures for the key audit matters above include:

- Evaluate whether the accounting policy for revenue recognition conforms to the specifications of the relevant bulletins.
- Test the design and implementation of the internal control system related to revenue recognition.
- Analyze the changes in the top ten customers and compare them with the same period last year to determine whether there are any significant changes or abnormalities.
- A sample of sales transactions within a certain period before and after the financial reporting date are selected to verify that the revenue, transaction records and various certificates cover the appropriate period.
- Assess whether there are significant sales returns and discounts after the assessment period.

Responsibilities of the management level and the governing body 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, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

The governing body of the Company (including the Audit Committee) is responsible for supervising the financial reporting process.

Responsibilities of the Auditors for auditing the parent company only financial statements

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

We exercise professional judgment and skepticism in conducting audits in accordance with the auditing standards generally accepted in the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent company only financial statements; design and execute countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis of our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.

4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent company only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's 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 relevant notes), and whether the parent company only financial statements adequately present the relevant transactions and events.
6. For the financial information of the invested company under the equity method, obtain sufficient and appropriate evidence to express an opinion on the parent company only financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

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

We also provided the governing body with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters for the audit of the Company's parent company only financial statements for the year ended December 31, 2025. 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 audit resulting in this independent auditors' report are May Yang and Celia Hsu.

KPMG

Taipei, Taiwan (Republic of China)

March 9, 2026

NAN JUEN INTERNATIONAL CO., LTD.

Balance Sheet

December 31, 2025 and 2024

Unit: NTD

Asset	2025.12.31		2024.12.31		Liabilities and equity	2025.12.31		2024.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6(1))	\$ 414,374	9	298,540	8	2100 Short-term borrowings (Note 6(8))	\$ -	-	116,600	3
1110 Current financial assets at fair value through profit or loss (Note 6(2))	23,984	1	-	-	2120 Current financial liabilities at fair value through profit or loss (Note 6(2) and (10))	63	-	-	-
1150 Notes receivable, net (Note 6(3) and (17))	3,110	-	3,245	-	2150 Notes payable	858	-	50	-
1170 Accounts receivable, net (Note 6(3) and (17))	508,764	12	402,977	10	2170 Accounts payable	163,088	4	111,683	3
1180 Accounts receivable due from related parties, net (Note 6(3), (17) and Note 7)	24,064	1	14,951	-	2180 Accounts payable to related parties (Note 6I)	82,679	2	65,589	2
1210 Other receivables due from related parties (Note 6I)	9,177	-	8,568	-	2200 Other payables (Note 6(12))	153,911	4	121,810	3
1310 Current inventories (Note 6(4))	443,799	10	269,873	7	2280 Current lease liabilities (Note 6(11) and Note 7)	20,871	-	20,739	1
1410 Prepayments	7,297	-	5,578	-	2230 Current tax liabilities (Note 6(13))	88,422	2	46,428	1
1470 Other current assets (Note 8)	48,704	1	16,357	1	2300 Other current liabilities	16,608	-	13,262	-
Total current assets	1,483,273	34	1,020,089	26	2322 Long-term borrowings-current portion (Note 6(9) and Note 8)	116,317	3	69,265	2
Non-current assets:					Total current liabilities	642,817	15	565,426	15
1510 Non-current financial assets at fair value through profit or loss (Note 6(2) and (10))	2,375	-	2,720	-	Non-current liabilities:				
1550 Investments accounted for using equity method (Note 6 (5))	390,578	9	328,908	9	2500 Non-current financial liabilities at fair value through profit or loss (Note 6(2) and (10))	-	-	6,930	-
1600 Property, plant and equipment (Notes 6(6), (9) and 7)	2,413,638	55	2,412,000	62	2530 Bonds Payable (Note 6(10) and Note 8)	307,864	7	944,165	24
1755 Right-of-use assets (Note 6(7))	34,344	1	54,543	2	2540 Long-term borrowings (Note 6(9) and Note 8)	244,617	6	82,709	2
1780 Intangible assets	11,331	-	8,841	-	2570 Deferred income tax liabilities (Note 6(13))	4,848	-	-	-
1900 Other non-current assets (Note 7 and 8)	6,367	-	9,399	-	2580 Non-current lease liabilities (Note 6(11) and Note 7)	15,109	-	35,748	1
1975 Non-current net defined benefit asset (Note 6(12))	27,748	1	29,886	1	2600 Other non-current liabilities	10,745	-	429	-
Total non-current assets	2,886,381	66	2,846,297	74	Total non-current liabilities	583,183	13	1,069,981	27
					Total liabilities	1,226,000	28	1,635,407	42
					Equity (Note 6(14) and (15)):				
				3110 Common stock	696,644	16	659,552	17	
				3200 Capital surplus	1,483,407	34	877,393	23	
				3310 Legal reserve	164,815	4	145,029	4	
				3320 Special reserve	2,339	-	-	-	
				3350 Unappropriated retained earnings	831,071	19	584,615	15	
				3410 Exchange differences on translation of foreign financial statements	(20,540)	(1)	(2,339)	-	
				3491 Other equity, unearned compensation	(11,506)	-	(33,271)	(1)	
				3500 Treasury stocks	(2,576)	-	-	-	
				Total equity	3,143,654	72	2,230,979	58	
Total assets	\$ 4,369,654	100	3,866,386	100	Total liabilities and equity	\$ 4,369,654	100	3,866,386	100

(Please refer to the attached Notes to the parent company only financial statements)

NAN JUEN INTERNATIONAL CO., LTD.

Comprehensive Income Statement

January 1 to December 31, 2025 and 2024

Unit: NTD

	2025		2024	
	Amount	%	Amount	%
4000 Operating revenue (Note 6(17) and Note 7)	\$ 2,383,002	100	1,829,535	100
5000 Operating costs (Note 6(4), (12) and Note 7)	1,578,734	66	1,342,547	73
Gross profit	804,268	34	486,988	27
5910 Unrealized profit (loss) from sales	234	-	(4,627)	-
Gross operating profit, net	804,502	34	482,361	27
Operating expense (Note 6(12), (15), (18) and Note 7):				
6100 Selling expenses	91,698	4	68,736	4
6200 Administrative expenses	169,757	7	139,347	8
6300 Research and development expense	66,602	2	61,164	3
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (Note 6(3))	(318)	-	217	-
Total operating expense	327,739	13	269,464	15
Net operating profit	476,763	21	212,897	12
Non-operating income and expenses:				
7100 Interest income (Note 6(19))	14,939	1	11,323	1
7010 Other income (Note 6(19) and Note 7)	31,993	1	18,928	1
7020 Other gains and losses (Note 6(2) and (19))	28,718	1	37,237	2
7050 Finance costs (Note 6(19))	(26,983)	(1)	(26,748)	(1)
7070 Share of profit or loss of subsidiaries accounted for using equity method	5,737	-	(14,889)	(1)
Total non-operating income and expenses	54,404	2	25,851	2
Net income before tax	531,167	23	238,748	14
7950 Less: Income tax expense (Note 6(13))	161,183	7	46,538	3
Profit	369,984	16	192,210	11
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (Note 6(12))	(2,470)	-	5,649	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Total items that will not be reclassified to profit or loss	(2,470)	-	5,649	-
8360 Components of other comprehensive income that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(18,201)	(1)	(2,470)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	(18,201)	(1)	(2,470)	-
8300 Other comprehensive income	(20,671)	(1)	3,179	-
8500 Total comprehensive income	<u>\$ 349,313</u>	<u>15</u>	<u>195,389</u>	<u>11</u>
Earnings per share (Note 6(16))				
9750 Basic earnings per share (NT\$)	<u>\$ 5.59</u>		<u>2.94</u>	
9850 Diluted earnings per share (NT\$)	<u>\$ 5.31</u>		<u>2.91</u>	

(Please refer to the attached Notes to the parent company only financial statements)

NAN JUEN INTERNATIONAL CO., LTD.

Statement of Changes in Equity

January 1 to December 31, 2025 and 2024

Unit: NTD

	Retained earnings				Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Other equity-earned compensation	Treasury stocks	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve					
Balance as of January 1, 2024	\$ 656,406	706,056	144,427	-	420,342	131	(1,915)	-	1,925,447
Profit	-	-	-	-	192,210	-	-	-	192,210
Other comprehensive income	-	-	-	-	5,649	(2,470)	-	-	3,179
Total comprehensive income	-	-	-	-	197,859	(2,470)	-	-	195,389
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	602	-	(602)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(32,984)	-	-	-	(32,984)
Other changes in capital surplus:									
Equity components were recognized upon issuance of convertible bonds.	-	155,011	-	-	-	-	-	-	155,011
Cash dividends distribution of capital reserves	-	(32,984)	-	-	-	-	-	-	(32,984)
Issuance of new restricted employee shares	5,000	55,727	-	-	-	-	(60,727)	-	-
Share-based payment transactions	-	-	-	-	-	-	21,100	-	21,100
Expired new restricted stock award shares issued to employees	(1,854)	(6,417)	-	-	-	-	8,271	-	-
Balance as of December 31, 2024	659,552	877,393	145,029	-	584,615	(2,339)	(33,271)	-	2,230,979
Profit	-	-	-	-	369,984	-	-	-	369,984
Other comprehensive income	-	-	-	-	(2,470)	(18,201)	-	-	(20,671)
Total comprehensive income	-	-	-	-	367,514	(18,201)	-	-	349,313
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	19,786	-	(19,786)	-	-	-	-
Special reserve appropriated	-	-	-	2,339	(2,339)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(98,933)	-	-	-	(98,933)
Equity components were recognized upon issuance of convertible bonds.	-	(113,393)	-	-	-	-	-	-	(113,393)
Conversion of convertible bonds	37,344	722,209	-	-	-	-	-	-	759,553
Treasury stock repurchase	-	-	-	-	-	-	-	(2,576)	(2,576)
Share-based payment transactions	-	-	-	-	-	-	18,711	-	18,711
Expired new restricted stock award shares issued to employees	(252)	(2,802)	-	-	-	-	3,054	-	-
Balance as of December 31, 2025	\$ 696,644	1,483,407	164,815	2,339	831,071	(20,540)	(11,506)	(2,576)	3,143,654

(Please refer to the attached Notes to the parent company only financial statements)

NAN JUEN INTERNATIONAL CO., LTD.

Statement of Cash Flow

January 1 to December 31, 2025 and 2024

	2025	Unit: NTD 2024
Cash flows from (used in) operating activities:		
Income from continuing operations before income tax	\$ 531,167	238,748
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	111,313	106,536
Amortization expense	5,285	3,864
Expected credit loss (gain)	(318)	217
Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(30,506)	252
Interest expense	26,983	26,748
Interest income	(14,939)	(11,323)
Share-based payments	18,711	21,100
Share of (profit) loss of subsidiaries accounted for using equity method	(5,737)	14,889
Gain on disposal of property, plan and equipment	(3,790)	(586)
Property, plan and equipment transferred to expenses	2,683	2,870
Non-financial assets impairment loss	-	7,720
Unrealized profit (loss) from sales	(234)	4,627
Loss on corporate bond repurchase	53	-
Other items	-	351
Total adjustments to reconcile profit (loss)	109,504	177,265
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease in notes receivable	135	352
Increase in accounts receivable	(105,469)	(134,096)
Increase in accounts receivable due from related parties	(9,113)	(12,460)
Increase in other receivables due from related parties	(609)	(609)
Increase in inventories	(173,926)	(18,905)
Decrease (increase) in other prepayments	(1,719)	586
Increase in other current assets	(18,518)	(4,283)
Increase in net defined benefit asset	(332)	(110)
Total changes in operating assets	(309,551)	(169,525)
Changes in operating liabilities:		
Increase in notes payable	808	50
Increase in accounts payable	51,405	14,347
Increase in accounts payable to related parties	17,090	27,348
Increase in other payables	32,101	27,321
Increase in other current liabilities	3,346	7,022
Increase (decrease) in other non-current liabilities	10,316	(23)
Total changes in operating liabilities	115,066	76,065
Total changes in operating assets and liabilities	(194,485)	(93,460)
Total adjustments	(84,981)	83,805
Cash inflow generated from operations	446,186	322,553
Interest received	14,939	11,323
Interest paid	(8,578)	(22,683)
Income taxes paid	(114,341)	(1,763)
Net cash inflow from operating activities	338,206	309,430
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(80,435)	(338,439)
Acquisition of property, plant and equipment	(109,665)	(93,752)
Proceeds from disposal of property, plant and equipment	21,574	27,793
Decrease (increase) in refundable deposits	3,032	(2,830)
Acquisition of intangible assets	(7,775)	(5,780)
Increase in other financial assets	(10,455)	(7,445)
Net cash outflow from investing activities	(183,724)	(420,453)
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(116,600)	(302,090)
Issuance of corporate bonds	-	1,099,415
Repurchase of corporate bonds	(8,598)	-
Proceeds from long-term debt	281,000	-
Repayments of long-term debt	(72,040)	(685,854)
Payments of lease liabilities	(20,901)	(20,491)
Cash dividends paid	(98,933)	(65,968)
Cost of treasury stock repurchases	(2,576)	-
Net cash flows from (used in) financing activities	(38,648)	25,012
Net increase (decrease) in cash and cash equivalents for the period	115,834	(86,011)
Cash and cash equivalents at beginning of period	298,540	384,551
Cash and cash equivalents at end of period	\$ 414,374	298,540

(Please refer to the attached Notes to the parent company only financial statements)

NAN JUEN INTERNATIONAL CO., LTD.
Notes to parent company only financial statements
2025 and 2024
(Unless otherwise stated, all amounts are in NTD thousand)

I. Company history

NAN JUEN INTERNATIONAL CO., LTD. (hereinafter referred to as the "Company"), formerly known as NAN JUEN INDUSTRIAL CO., LTD., was established by approval of the Ministry of Economic Affairs on June 19, 1984. The Company changed its name to NAN JUEN INTERNATIONAL CO., LTD. in September 1996 and its registered address is 6F, No. 202, Xingfu Rd., Taoyuan Dist., Taoyuan City, Taiwan. The Company's main business items are the research and development, manufacturing and trading of steel ball guide rails.

II. Date and procedure for adopting financial statements

The parent company only financial statements were approved by the Board of Directors for release on March 9, 2026.

III. Application of new and amended standards and interpretations

- (I) The impact of the new and revised standards and interpretations approved by the Financial Supervisory Commission has been adopted

The Company began to apply the following newly amended IFRSs on January 1, 2025, and there was no significant impact on the parent company only financial statements.

- Amendments to IAS 21 "Lack of Exchangeability"

- (II) The impact of not yet adopting the IFRSs recognized by the FSC

The Company evaluates the application of the following newly amended IFRSs effective from January 1, 2026, and there was no significant impact on the parent company only financial statements.

- Amendments to IFRS 17 "Insurance Contracts" and IFRS 17
- Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- Annual Improvements to IFRS Accounting Standards
- Amendments to IFRS 9 and IFRS 7 "Contracts Involving Nature-dependent Electricity"

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(III) Newly issued and amended standards and interpretations not yet approved by the FSC

The following standards and interpretations have been issued or amended by the International Accounting Standards Board but have not yet been endorsed by the Financial Supervisory Commission and may be relevant to the Company:

<u>Newly Issued or Amended Standards</u>	<u>Key Amendments</u>	<u>Effective Date as Announced by the Board</u>
IFRS 18 "Presentation and Disclosure in Financial Statements"	<p>The new standard introduces three categories for income and expenses, two income statement subtotals, and a single note on management performance measures. These three revisions and enhancements provide clearer guidance on how to disaggregate information in financial statements, laying the foundation for better and more consistent information for users, and will impact all companies.</p> <ul style="list-style-type: none"> · More Structured Income Statement: Under current standards, companies use different formats to present their operating results, making it difficult for investors to compare the financial performance of different companies. The new standard adopts a more structured income statement, introducing newly defined "operating profit" subtotals and requiring all income and expenses to be classified into three new distinct categories based on the company's main business activities. · Management Performance Measures (MPMs): The new standard introduces a definition for management performance measures and requires companies to explain, in a single note to the financial statements, why each measure provides useful information, how it is calculated, and how the measure is reconciled to amounts recognized under IFRSs. · More Disaggregated Information: The new standard includes enhanced guidance on how companies should group information in the financial statements. This includes guidance on whether information should be included in the primary financial statements or further disaggregated in the notes. 	<p>January 01, 2027</p> <p>Note: On September 25, 2025, the FSC announced in a press release that Taiwan adopted IFRS No. 18 for the accounting year 2028. If the Company needs to apply early, it may also do so after approval by the FSC.</p>

The Company is currently in the process of assessing the impact of the aforementioned standards and interpretations on its financial position and operating results. The relevant impact will be disclosed upon completion of the assessment.

The Company expects the following new amendments to standards that have not yet been approved to have no significant impact on the parent company only financial statements.

- Amendments to IFRS No. 10 and IAS No. 28 regarding "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"
 - IFRS 19 "Subsidiaries without Public Accountability: Disclosures" and amendments to IFRS No. 19.
- Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

IV. Summary of significant accounting policies

The significant accounting policies adopted in the parent company only financial statements are summarized as follows. The following accounting policies have been applied throughout the presentation period of the parent company only financial statements.

(I) Compliance Statement

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

(II) Basis of preparation

1. Basis of measurement

Except for the following important items on the balance sheet, the parent company only financial statements have been prepared on the basis of historical cost:

- (1) Financial assets (liabilities) measured at fair value through gain or loss; and
- (2) The net defined benefit liability (or asset) is measured by the fair value of the pension fund assets less the present value of the defined benefit obligation.

2. Functional currency and presentation currency

The Company's functional currency is the currency of the primary economic environment where it operates. The parent company only financial statements are presented in the Company's functional currency, NTD. All financial information expressed in NTD is with the unit of NTD thousand.

(III) Foreign Currency

1. Foreign currency transactions

Transactions denominated in foreign currencies are translated into the functional currency in accordance with the exchange rates prevailing on the transaction date. At the end of each subsequent reporting period (hereinafter referred to as the reporting date), monetary items denominated in foreign currencies are translated into the functional currency in accordance with the exchange rate of the day.

The non-monetary item denominated in foreign currency measured at fair value is translated into the functional currency in accordance with the exchange rate on the date the fair value is measured. The non-monetary item denominated in foreign currency measured at historical cost is translated in accordance with the exchange rate on the transaction date.

The foreign currency exchange difference arising from translation is generally recognized in profit or loss.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are converted into NTD in accordance with the exchange rate on the reporting date; the income and expense items are converted into NTD in accordance with the current average exchange rate. The exchange differences are recognized in other comprehensive income.

When the disposal of a foreign operation results in a loss of control, loss of joint control, or significant influence, the accumulated exchange difference related to the foreign operation is entirely reclassified as profit or loss. When the partial disposal includes subsidiaries of foreign operations, the relevant accumulated exchange differences are re-attributable to non-controlling interests on a pro rata basis. When the partial disposal includes investments in affiliates or joint ventures of foreign operations, the relevant accumulated exchange differences are reclassified to profit or loss on a pro rata basis.

If there is no settlement plan for the monetary receivables or payables of foreign operating institutions and it is impossible for them to be settled in the foreseeable future, the profit or loss from foreign currency exchange is considered as part of the net investments in foreign operations and is recognized in other comprehensive income.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(IV) Classification criteria for current and non-current assets and liabilities

The Company classifies assets that meet one of the following conditions as current assets; assets other than current assets are classified as non-current assets:

1. The asset is expected to be realized, or intended to be sold or consumed in the normal business cycle;
2. The asset is held primarily for the purpose of trading;
3. The asset is expected to be realized within 12 months after the reporting period; or
4. The assets are cash or cash equivalents (as defined under IAS 7), except for those that are subject to other restrictions on exchange or to be used to settle a liability at least 12 months after the reporting period.

The Company classifies liabilities that meet one of the following conditions as current liabilities, and all liabilities other than current liabilities are classified as non-current liabilities:

1. The liability is expected to be settled in the normal business cycle;
2. The liability is held primarily for the purpose of trading;
3. The liability is to be settled within 12 months after the reporting period; or
4. The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period.

(V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalent is short-term investment with high liquidity that is readily convertible to known amounts of cash with insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of fulfilling short-term cash commitments rather than investment or other purposes are reported as cash equivalents.

(VI) Financial instruments

Accounts receivable and debt securities issued are recognized at time of generation. All other financial assets and financial liabilities are recognized when the Company becomes a party to the terms of a financial instrument contract. Financial assets that are not measured at fair value through profit or loss (except accounts receivable that do not contain significant financial components) or financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable that do not contain significant financial components are initially measured at transaction prices.

1. Financial assets

If the purchase or sale of financial assets is in line with customary transactions, the Company's accounting treatment of all financial assets classified in the same way adopts the trade date or settlement date for all purchases and sales.

At the time of initial recognition, financial assets are classified as: financial assets measured at amortized cost, debt instrument investment measured at fair value through other comprehensive income, equity instrument investment measured at fair value or financial assets measured at fair value through profit or loss. The Company only reclassifies all affected financial assets from the first day of the next reporting period when the business model for managing financial assets is changed.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(1) Financial assets measured at amortized cost

Financial assets that meet the following conditions and are not designated to be measured at fair value through profit or loss are measured at amortized cost:

- The financial asset is held under the business model for the purpose of collecting contractual cash flow.
- The cash flow on a specific date in accordance with the contractual terms of the financial asset is solely the interest paid on the principal and the outstanding principal amount.

Such assets are subsequently measured at the initial recognized amount plus or minus the accumulated amortization calculated by the effective interest method, and any amortized cost of the allowance loss is adjusted. Interest revenue, foreign currency exchange gains and losses, and impairment losses are recognized in profit or loss. Upon derecognition, the profit or loss is recognized in profit or loss.

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

Financial assets that are not measured at amortized cost or financial assets at fair value through other comprehensive income (e.g.: financial assets held for trading or financial assets with performance assessed at fair value) are measured at fair value through profit and loss. Accounts receivable that the Company intends to sell immediately or in the near future are measured at fair value through profit or loss, but are included in accounts receivable.

Such assets are subsequently measured at fair value, and the net profit or loss (including any dividend and interest income) is recognized as profit and loss.

(3) Financial assets impairment

For the Company's financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized cost, notes and accounts receivable, other receivables, refundable deposits, and other financial assets), the expected credit losses of debt instrument investments measured at fair value through other comprehensive income and contract assets are recognized in the allowance loss.

The following financial assets have allowance losses measured at the 12-month expected credit losses, and the rest are measured at the lifetime expected credit losses:

- Debt securities determined to have a low credit risk on the reporting date; and
- The credit risk of other debt securities and bank deposits (i.e. the risk of default during the expected duration of the financial instrument) has not increased significantly since the initial recognition.

The loss allowance for accounts receivable is measured based on the expected credit loss throughout the duration.

In determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and provable information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and based on the Company's historical experience, credit assessment and analysis of forward-looking information.

If the contract amount is overdue for more than 30 days, the Company assumes that the credit risk of the financial assets has increased significantly.

If the contract amount is overdue for more than 180 days, or the borrower is unlikely to perform its credit obligations and pay the full amount to the Company, the Company considers the financial asset to be in default.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

The expected credit loss is the probability-weighted estimate of the credit loss during the expected duration of a financial instrument. Credit loss is measured at the present value of all cash shortfalls, which is the difference between the cash flow that the Company can collect in accordance with the contract and the cash flow that the Company expects to collect. Expected credit losses are discounted at the effective interest rate of financial assets.

The Company assesses whether credit impairment has occurred on each reporting date based on financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. When one or more events that adversely affect the estimated future cash flow of a financial asset have occurred, the financial asset has credit impairment. Evidence of credit impairment of financial assets includes the observable data of the following matters:

- Major financial difficulties of the borrower or issuer;
- Default, such as delay or overdue for more than 180 days;
- Due to economic or contractual reasons related to the borrower's financial difficulty, the Company gives the borrower a concession it would not have otherwise considered;
- The borrower is likely to file for bankruptcy or undergo other financial restructuring; or
- The active market for the financial asset disappears due to financial difficulties.

The loss allowance of financial assets measured at amortized cost is deducted from the book value of the assets. The loss allowance of investments in debt instruments at fair value through other comprehensive income is recognized in other comprehensive income (without reducing the book value of the asset). The amount of the provision or reversal of the loss allowance is recognized in profit or loss.

When the Company cannot reasonably expect all or part of the recovered financial assets, it will directly reduce the total book value of its financial assets. For corporate accounts, the Company determines the timing and amount of write-offs based on an individual assessment of whether recovery is reasonably expected. The Company does not expect a significant reversal of amounts already written off. However, the written-off financial assets can still be enforced to meet the procedures for the Company to recover the overdue amount.

(4) Derecognition of financial assets

The Company will derecognize financial assets when its contractual rights to the cash flows from the assets are terminated, or it has transferred the financial assets and almost all the risks and rewards of the ownership of the assets to other enterprises, or that it has neither transferred nor retained all the risks and rewards of the ownership of the assets and has not retained the control over these financial assets.

When the Company enters into a transaction to transfer a financial asset, if all or almost all of the risks and rewards of the transferred asset ownership are retained, it will continue to be recognized in the balance sheet.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The Company's debt and equity instruments are classified as financial liabilities or equity based on the substance of the contractual agreements and the definitions of financial liabilities and equity instruments.

(2) Equity transactions

Equity instrument refers to any contract in which the Company has residual equity after deducting all liabilities from assets. The equity instruments issued by the Company are recognized at the amount taking the acquisition price less the direct issuance cost.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(3) Treasury stocks

When the Company repurchases equity instruments it has already recognized, the consideration paid—including directly attributable costs—is recognized as a reduction in equity. The shares repurchased are classified as treasury stock. Subsequently, proceeds from the sale or re-issuance of treasury shares are recognized as an increase to equity, with any resulting gain or loss recognized as capital surplus or retained earnings (to the extent capital surplus is insufficient to cover the loss).

(4) Compound financial instruments

The Company has issued compound financial instruments in the form of convertible bonds (denominated in New Taiwan Dollars), where the holder has the option to convert the bonds into equity instruments. The number of shares to be issued upon conversion does not vary with changes in the fair value of the instrument.

The liability component of the compound financial instrument is initially measured at the fair value of a similar liability that does not have an associated equity conversion option. The equity component is initially measured as the difference between the fair value of the entire compound financial instrument and the fair value of the liability component. Any transaction costs directly attributable to the issuance of the instrument are allocated to the liability and equity components in proportion to their respective carrying amounts.

After initial recognition, the liability component of the compound financial instrument is measured at amortized cost using the effective interest method. The equity component is not remeasured after initial recognition.

Interest related to the financial liability is recognized in profit or loss. Upon conversion of the financial liability into equity, the carrying amount is reclassified to equity without recognizing any gain or loss.

(5) Financial liabilities

Financial liabilities are classified as amortized cost or measured at fair value through profit or loss. If a financial liability is held for trading, derivative or designated at the time of initial recognition, it is classified as measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, and related net profits and losses, including any interest expenses, are recognized in profit or loss.

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

(6) Removal of financial liabilities

The Company derecognizes financial liabilities when contractual obligations are fulfilled, canceled, or expired. When the terms of a financial liability are amended and there is a significant difference in the cash flow of the liability after the amendment, the original financial liability is derecognized, and a new financial liability at the fair value based on the amended terms is recognized.

When derecognizing financial liabilities, the difference between the book value and the total consideration paid or payable (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities can be offset against each other and reported in the balance sheet in net amount only when the Company has a legally enforceable right to offset them against each other and there is an intention to settle in net amount, or the assets are realized and the liabilities are repaid at the same time.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(VII) Inventories

Inventories are measured at the lower of cost or net realizable value. Costs include the acquisition, production or processing costs and other costs incurred to make them available for use, and are calculated in accordance with the weighted average method. The cost of inventories of finished goods and work-in-progress includes the manufacturing expenses amortized based on the normal production capacity in an appropriate proportion.

The net realizable value refers to the balance of the estimated selling price under normal operations less the estimated cost of completion and the estimated cost of sales.

(VIII) Investment in subsidiaries

In preparing the parent company only financial statements, the Company has adopted the equity method to evaluate the invested company that it has control over. Under the equity method, the amortization amount attributed to the owners of the parent company is the same as the profit or loss and other comprehensive income for the period in the parent company only financial statements and the consolidated financial statements. The owners' equity in the parent company only financial statements is the same as the equity attributable to the owners of the parent company in the consolidated financial statements.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are treated as equity transactions among owners.

(IX) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When significant components of property, plant and equipment have different useful lives, they are treated as separate items (major components) of property, plant and equipment.

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

2. Subsequent costs

Subsequent expenses may be capitalized only when their future economic benefits are likely to flow into the Company.

3. Depreciation

Depreciation is calculated at the cost of the asset less residual value and recognized in profit or loss using the straight-line method over the estimated useful life of each component.

Land is not depreciated.

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

- (1) Buildings and structures 3-50 years
- (2) Machinery and equipment 2-20 years
- (3) Other equipment 1-10 years

The Company reviews the depreciation method, useful years, and residual value on each reporting date, and makes appropriate adjustments if necessary.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(X) Leases

The Company assesses whether the contract is or contains a lease on the date of establishment of the contract. If the contract transfers control over the use of identified assets for a period of time in exchange for consideration, the contract is or contains a lease.

1. Lessee

The Company recognizes right-of-use assets and lease liabilities on the lease commencement date. Right-of-use assets are initially measured at cost, which includes the initial measurement of lease liabilities, adjusted for any lease payments paid on or before the lease commencement date, and added incurred initial direct cost and the estimated cost of dismantling, removing the underlying asset and restoring the location or underlying asset, while deducting any lease incentives received.

The subsequent right-of-use assets are depreciated using the straight-line method from the lease start date to the end of their useful lives or the expiration of the lease term, whichever is earlier. In addition, the Company regularly assesses whether the right-of-use assets are impaired and handles any impairment losses that have occurred. The right-of-use assets are adjusted if the lease liabilities are remeasured.

Lease liabilities are initially measured at the present value of the unpaid lease payments on the lease starting date. If the interest rate implicit in the lease is easy to determine, the discount rate is the interest rate. If it is not easy to determine, the Company's incremental borrowing rate is used. Generally, the Company adopts its incremental borrowing interest rate as the discount rate.

Lease payments included in the measurement of lease liabilities include:

- (1) Fixed payments, including substantive fixed payments;
- (2) For the variable lease payment that depends on a certain index or rate, the index or the rate on the lease commencement date is used as the initial measurement;
- (3) The residual guarantee amount expected to be paid; and
- (4) The exercise price or penalty fee when the purchase option or lease termination option is reasonably determined to be exercised.

Subsequent interest on lease liabilities is accrued using the effective interest method, and the amount is re-measured when:

- (1) Changes in the index or rate used to determine lease payments result in changes in future lease payments;
- (2) There is a change in the residual guarantee amount expected to be paid;
- (3) There is a change in the evaluation of the underlying asset purchase option;
- (4) There is a change in the estimate of whether to extend or terminate the option, and the evaluation on the lease period is changed;
- (5) Amendment to the subject, scope, or other terms and conditions of the lease.

When a lease liability is remeasured due to a change in the index or rate used to determine lease payments, changes in the residual guarantee amount, or an evaluation change in the purchase, extension, or termination of an option, the book value of the right-of-use asset shall be adjusted accordingly. When the book value of the right-of-use assets is reduced to zero, the remaining remeasured amount is recognized in profit or loss.

For a lease modification that reduces the scope of the lease, the book value of the right-of-use asset is reduced to reflect the partial or full termination of the lease, and the difference between the remeasured amount of the lease liability and the difference is recognized in profit or loss.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

The Company presents the right-of-use assets and lease liabilities that do not meet the definition of investment property as separate line items in the balance sheet.

For other equipment and transportation equipment short-term lease and low-value underlying asset lease, the Company chooses not to recognize the right-of-use assets and lease liabilities, but to recognize the relevant lease payments as expenses on the straight-line basis over the lease term.

2. Lessor

For transactions in which the Company is a lessor, the lease contract is classified based on whether it transfers almost all the risks and returns attached to the ownership of the underlying asset on the date of establishment of the lease. If so, it is classified as a financing lease; otherwise, it is classified as an operating lease. During the evaluation, the Company considers relevant specific indicators, including whether the lease period covers the main part of the economic life of the underlying assets.

If the Company is the sublessor, it shall manage the main lease and sublease transactions separately, and use the right-of-use assets generated from the main lease to assess the classification of the sublease transactions. If the main lease is a short-term lease and the recognition exemption is applicable, the sublease transaction of the main lease should be classified as an operating lease.

If the agreement includes lease and non-lease components, the Company uses IFRS 15 to allocate the consideration in the contract.

For operating leases, the Company adopts a straight-line basis to recognize the lease payments received as rental income over the lease term.

(XI) Intangible assets

1. Recognition and measurement

Expenditures related to research activities are recognized in profit or loss when incurred.

Development expenditure shall be used only when the cost can be reliably measured, the technical or commercial feasibility of the product or process has been achieved, it is probable that future economic benefits will flow to the Company, and the Company has the intention and sufficient resources to complete the development and use or sell the asset is capitalized. Other development expenditures are recognized in profit or loss when incurred. After initial recognition, the capitalized development expenditure is measured at its cost less accumulated amortization and accumulated impairment.

The Company's acquisition of other finite intangible assets with useful years is measured at cost less accumulated amortization and accumulated impairment.

2. Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits of the relevant specific assets. All other expenses are recognized as income upon occurrence, including the goodwill and brand developed internally.

3. Amortization

The amortization is calculated in accordance with the asset cost less the estimated residual value, and is recognized in profit or loss using the straight-line method over the estimated useful years from the intangible asset becoming available for use.

The Company reviews the amortization method, useful years and residual value of intangible assets on each reporting date, and makes appropriate adjustments if necessary.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(XII) Non-financial assets impairment

The Company assesses whether there is any indication that the book value of non-financial assets (except inventories and deferred income tax assets) may be impaired at each reporting date. If any sign exists, the recoverable amount of the asset shall be estimated. Goodwill is tested for impairment annually.

For the purpose of impairment testing, the group of assets whose cash inflow is mostly independent of other individual assets or asset group is recognized as the smallest identifiable asset group. The goodwill acquired in a business merger is amortized to each cash-generating unit or cash-generating unit group that is expected to benefit from the synergy of the merger.

The recoverable amount is the fair value of an individual asset or cash-generating unit less the cost of disposal and its value in use, whichever is higher. In assessing value in use, the estimated future cash flows are converted to the present value using a pre-tax discount rate that reflects the current market's assessment of the time value of money and the specific risks of the asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit is lower than the book value, it is recognized as impairment loss. The impairment loss is immediately recognized in profit or loss, and the book value of the amortized goodwill of the cash-generating unit is reduced first, and then the book value of each asset is reduced in proportion to the book value of other assets in the unit.

The impairment loss of goodwill shall not be reversed. The non-financial assets other than goodwill are only reversed within the book value (less depreciation or amortization) of the asset if no impairment loss was recognized in previous years.

(XIII) Revenue recognition

Revenue is measured based on the expected consideration for the right to be obtained from the transfer of goods or services. The Company recognizes revenue when the control of the product or labor service is transferred to the customer and the performance obligation is met. The main revenue items of the Company are described as follows:

1. Sale of goods

The Company recognizes the revenue as income when the control of the product is transferred. The transfer of control of the product means that the product has been delivered to the customer, and the customer can fully determine the sales channel and price of the product, and there are no outstanding obligations that would affect the customer's acceptance of the product. Delivery occurs when the product is transported to a specific location, and its obsolescence and risk of loss have been transferred to the customer, and the customer has accepted the product in accordance with the sales contract, and the acceptance terms and conditions have become invalid, or the Company has objective evidence that all acceptance conditions have been met.

The Company recognizes accounts receivable when the goods are delivered, as the Company has the right to unconditionally collect the consideration at that time.

2. Financial components

The Company expects that the interval between the time when all customers contract to transfer goods or services to the customer and the time when the customer pays for the goods or services will be less than one year. Therefore, the Company does not adjust the time value of money of the transaction price.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(XIV) Employee benefits

1. Defined contribution plan

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

2. Defined benefit plan

The Company's net obligation to the defined benefit plan is converted to the present value of the future benefit amount earned by employees from the services in the current period or in the past for each benefit plan, and less the fair value of any planned assets.

Defined benefit obligations are calculated annually by a qualified actuary using the projected unit benefit method. When the calculation result may be favorable to the Company, the assets recognized shall be up to the present value of any economic benefit that can be derived from the refund of the contribution from the plan or the reduction of the contribution from the plan in the future. The calculation of the present value of the economic benefits takes into account the minimum capital contribution required.

The remeasurement of the net defined benefit liability, including actuarial gains and losses, plan asset returns (excluding interest), and any change in the impact of asset ceilings (excluding interest) is immediately recognized in other comprehensive income and accumulated in retained earnings. The Company determines the net interest expense (revenue) of the net defined benefit liabilities (assets) using the net defined benefit liabilities (assets) and the discount rate at the beginning of the reporting period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

When the plan is revised or curtailed, the changes in welfare related to the prior service cost or curtailment benefit or loss is recognized immediately in profit or loss. When the settlement occurs, the Company recognizes the settlement gain or loss of the defined benefit plan.

3. Short-term employee benefits

Short-term employee benefit obligations are recognized as expenses when the services are provided. If the Company has a current legal or presumed payment obligation due to the past services provided by employees, and the obligation can be estimated reliably, the amount is recognized as liabilities.

(XV) Share-based payment transactions

For the equity-settled share-based payment agreement, the fair value on the grant date is recognized as an expense and increased in relative equity during the vested period. The recognized expenses are adjusted according to the quantity of remuneration expected to meet the service conditions and non-market value vested conditions; and the ultimately recognized amount is measured based on the quantity of remuneration meeting service conditions and non-market value vested conditions on the vesting day.

The non-vested conditions regarding the share-based payment incentives are reflected in the measurement of the fair value of the share-based payment and the difference between the expected and actual results is not subject to verification adjustment.

The fair value of the cash share appreciation rights payable to the employees is recognized as an expense and increased in liabilities within the period when the employees are entitled to the remuneration unconditionally. The liability is re-measured at the fair value of the share appreciation rights on each reporting date and delivery date, with any changes recognized in profit or loss.

The payment date of the Company's share-based payment is the record date of the capital increase approved by the board of directors.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(XVI) Income tax

Income tax includes current income tax and deferred income tax. Except for those related to business combination and recognized directly in equity or other comprehensive income, current income tax and deferred income tax shall be recognized in profit or loss.

The current income tax includes the expected income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, and any adjustment to the income tax payable in previous years. The amount is the best estimate of the expected payment or receipt based on the statutory tax rate or tax rate substantially enacted on the reporting date.

Deferred income tax is measured and recognized on temporary differences between the book value of assets and liabilities and their tax bases at the reporting date. Temporary differences arising from the following circumstances shall not be recognized as deferred income tax:

1. Assets or liabilities initially recognized in a transaction that is not a business merger, and at the time of the transaction (i) does not affect accounting profits and taxable income (loss); and (ii) does not give rise to equivalent taxable discrepancy;
2. The temporary difference arising from investment in subsidiaries and joint ventures, for which the Company controls the time of reversal and is very likely not to be reversed in the foreseeable future.

Unused tax losses and unused income tax credits carried forward and deductible temporary differences are recognized as deferred income tax assets within the range of future taxable income that is likely to be available for use. The Company shall reevaluate it at each reporting date, and adjust the relevant income tax benefits to the extent that it is not very likely to be realized; or to reverse the amount of reduction in the range where it is very likely that there will be sufficient taxable income.

Deferred income tax is measured at the tax rate expected to be enacted in the period when assets are realized or liabilities are settled, based on the statutory tax rate or substantive tax rate at the reporting date.

The Company will offset the deferred income tax assets and deferred income tax liabilities when the following conditions are met at the same time:

1. Has the legally enforceable right to offset current income tax assets and current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to one of the following taxable entities levied by the same taxation authority;
 - (1) the same taxable entity; or
 - (2) Different taxable entities, but each entity intends to settle current income tax liabilities and assets on a net basis, or to realize assets and repayments simultaneously, in each future period in which significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

(XVII) Earnings per share

The Company presents the basic and diluted earnings per share attributable to the Company's common stock shareholders. The basic earnings per share of the Company is calculated by dividing the profit or loss attributable to the Company's common stock shareholders by the weighted average number of the outstanding common stock shares during the period. Diluted earnings per share is calculated by having the profit and loss attributable to the Company's common stock shareholders and the weighted average number of common stock shares outstanding adjusted for the effects of all potential diluted common stock shares, respectively. The Company's potential dilutive common shares include convertible bonds and estimated employee compensation

(XVIII) Segment Information

The Company has disclosed the segment information in the consolidated financial statements; therefore, the segment information was not disclosed in the parent company only financial statements.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

V. Major sources of uncertainty in major accounting judgments, estimates, and assumptions

In preparing the parent company only financial statements, the management must make judgments and estimates about the future (including climate-related risks and opportunities) that will affect the adopted accounting policies and the assets, liabilities, revenues and expense amounts. Actual results may differ from estimates.

The management continues to review the estimates and underlying assumptions to ensure consistency with the Company's risk management and climate-related commitments. Any changes in accounting estimates are recognized in the period in which they are affected and in the future.

The accounting policies do not involve significant judgments and do not have significant impact on the amounts recognized in the parent company only financial statements.

The uncertainty of assumptions and estimates does not have significant risks that will cause material adjustments in the following year.

VI. Description of significant accounting items

(I) Cash and cash equivalents

	2025.12.31	2024.12.31
Cash	\$ 620	578
Bank deposits	363,754	297,962
Repurchase Agreement	50,000	-
Total	\$ 414,374	298,540

Please refer to Note 6(20) for the disclosure of the interest rate risk and sensitivity analysis of the Company's financial assets and liabilities.

(II) Financial assets and liabilities at fair value through profit or loss

	2025.12.31	2024.12.31
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative hedging instrument		
Foreign exchange contract	\$ 23,984	-
	2025.12.31	2024.12.31
Financial liabilities at fair value through profit or loss:		
Issuance of convertible bonds - put option	\$ 63	-
	2025.12.31	2024.12.31
Designated financial assets measured at fair value through profit or loss - non-current		
Issuance of convertible bonds - call option	\$ 2,375	2,720
	2025.12.31	2024.12.31
Designated financial liabilities measured at fair value through profit or loss - non-current		
Issuance of convertible bonds - put option	\$ -	6,930

For the amount remeasured at fair value and recognized in profit or loss, please refer to Note 6(19); for fair value information, please refer to Note 6(20).

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

	2025.12.31		
	<u>Book value</u>	<u>Nominal Capital (NTD thousands)</u>	<u>Maturity Date</u>
Derivative financial assets:			
Foreign exchange contract (USD/TWD)	<u>\$ 23,984</u>	USD 11,800	2026.05.22~2026.11.05
Derivative financial liabilities:			
Foreign exchange contract (USD/TWD)	<u>\$ -</u>	USD 5,600	2026.01.05~2026.12.16

The Company recognized net gains (losses) on financial assets at fair value through profit or loss for the years ended December 31, 2025 and 2024 for NT\$25,548 thousand and NT\$2,797 thousand, respectively; the Company recognized net gains (losses) of financial liabilities at fair value through profit or loss of NT\$8,417 thousand and NT\$70 thousand for the years ended December 31, 2025 and 2024, included in the "Other gains and losses".

(III) Notes receivable and accounts receivable

	<u>2025.12.31</u>	<u>2024.12.31</u>
Notes receivable - from operation	\$ 3,110	3,245
Accounts receivable - measured at amortized cost	509,215	407,166
Accounts receivable - related parties	24,064	14,951
Less: Loss allowance	<u>(451)</u>	<u>(4,189)</u>
	<u>\$ 535,938</u>	<u>421,173</u>

The Company uses simplified method to estimate expected credit losses for all notes and accounts receivable, that is, using expected credit losses throughout the duration. For this measurement, such notes and accounts receivable are grouped according to the common credit risk characteristics of the customers' ability to pay all amounts due in the contract terms which have been included in the forward-looking information. Expected credit losses of notes and accounts receivable of the Company are analyzed as follows:

	2025.12.31		
	<u>Book value of notes and accounts receivable</u>	<u>Weighted average rate of expected credit losses</u>	<u>Allowance for existing expected credit losses</u>
Not past due	\$ 528,714	0.06%	333
Overdue for less than 30 days	7,191	1.25%	90
Overdue for 31 - 60 days	409	3.42%	14
Overdue for 61 - 180 days	<u>75</u>	18.67%	<u>14</u>
Total	<u>\$ 536,389</u>		<u>451</u>

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

	2024.12.31		
	Book value of notes and accounts receivable	Weighted average rate of expected credit losses	Allowance for existing expected credit losses
Not past due	\$ 413,690	0.08%	335
Overdue for less than 30 days	6,163	1.61%	99
Overdue for 31 - 60 days	425	4.24%	18
Overdue for 61 - 180 days	1,478	24.63%	364
Overdue for more than 181 days	<u>3,606</u>	93.54%	<u>3,373</u>
Total	<u>\$ 425,362</u>		<u>4,189</u>

The changes in the allowance for notes and accounts receivable of the Company are as follows:

	2025	2024
Opening balance	\$ 4,189	3,972
Recognized impairment loss	-	217
Reversal of impairment loss	(318)	-
Amount written off for uncollectibility this year.	<u>(3,420)</u>	<u>-</u>
Closing balance	<u>\$ 451</u>	<u>4,189</u>

As of December 31, 2025 and 2024, the Company's notes receivable and accounts receivable were not discounted or provided as collateral.

(IV) Inventories

	2025.12.31	2024.12.31
Raw materials	\$ 62,190	63,388
Materials	7,713	7,001
Work in process	50,876	45,969
Finished products	241,680	148,262
Goods	<u>81,340</u>	<u>5,253</u>
Total	<u>\$ 443,799</u>	<u>269,873</u>

The Company's operating costs are detailed as follows:

	2025	2024
Cost of goods sold	\$ 1,576,851	1,340,843
Inventory write-downs	<u>1,883</u>	<u>1,704</u>
	<u>\$ 1,578,734</u>	<u>1,342,547</u>

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

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(V) Investments accounted for using equity method

The Company's investments accounted for using equity method as of the reporting date are as follows:

	2025.12.31	2024.12.31
Subsidiary	\$ 390,578	328,908

1. Subsidiary

Due to operational development needs, the Company established a Vietnamese subsidiary, REPON TECH (VIETNAM) CO., LTD., in 2024, and made additional investments of NT\$80,435 thousand and NT\$338,439 thousand in 2025 and 2024, respectively. For other information regarding subsidiaries, please refer to the 2025 consolidated financial statements.

2. Guarantees

As of December 31, 2025 and 2024, the Company's investments accounted for under equity method were not pledged as collateral.

(VI) Property, plant and equipment

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

	Land	Buildings and structures	Machinery and equipment	Other equipment	Unfinished construction and equipment to be inspected	Total
Cost or recognized cost:						
Balance on January 1, 2025	\$ 1,183,627	1,148,200	423,860	264,840	94,147	3,114,674
Additions	-	-	652	12,161	96,852	109,665
Reclassified	-	3,280	90,478	11,489	(111,306)	(6,059)
Disposal	-	-	(23,850)	(2,059)	(7,798)	(33,707)
Balance on December 31, 2025	\$ 1,183,627	1,151,480	491,140	286,431	71,895	3,184,573
Balance on January 1, 2024	\$ 1,183,627	1,148,200	419,274	260,710	55,769	3,067,580
Additions	-	-	1,816	9,148	82,788	93,752
Reclassified	-	-	23,505	6,573	(32,948)	(2,870)
Disposal	-	-	(20,735)	(11,591)	(11,462)	(43,788)
Balance on December 31, 2024	\$ 1,183,627	1,148,200	423,860	264,840	94,147	3,114,674
Depreciation and impairment loss:						
Balance on January 1, 2025	\$ -	227,102	281,271	186,581	7,720	702,674
Depreciation in the current year	-	34,434	31,052	25,234	-	90,720
Disposal	-	-	(20,465)	(1,994)	-	(22,459)
Balance on December 31, 2025	\$ -	261,536	291,858	209,821	7,720	770,935

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Other equipment</u>	<u>Unfinished construction and equipment to be inspected</u>	<u>Total</u>
Balance on January 1, 2024	\$ -	193,232	271,953	172,728	-	637,913
Depreciation in the current year	-	33,870	26,678	25,297	-	85,845
Impairment loss	-	-	-	-	7,720	7,720
Disposal	-	-	(17,360)	(11,444)	-	(28,804)
Balance on December 31, 2024	\$ -	227,102	281,271	186,581	7,720	702,674
Book value:						
December 31, 2025	\$ 1,183,627	889,944	199,282	76,610	64,175	2,413,638
January 1, 2024	\$ 1,183,627	954,968	147,321	87,982	55,769	2,429,667
December 31, 2024	\$ 1,183,627	921,098	142,589	78,259	86,427	2,412,000

Please refer to Note 8 for details on bank loans and financing facilities as of December 31, 2025 and 2024.

On November 6, 2023, the Company's board of directors resolved to sell the land at Lot No. 2-7, Nanyuan Road, Zhongli Industrial Park, with an area of 9,160 square meters (Lot No. 1771, 1788, Zhonggong Section, Zhongli District, Taoyuan City) by public auction, but was recognized as idle land by the Ministry of Economic Affairs on January 19, 2024. Therefore, the Company's board of directors passed a resolution on January 22, 2024 to change it to public auction or by way of price negotiation, and cancel the public auction on January 24, 2024. As of the release date of the consolidated financial report, the Company has temporarily suspended the sale of the Zhongli land due to changes in its operational plans and has reclassified the land as for own use. In addition, certain assets under construction had a recoverable amount lower than their carrying amount. As a result, an impairment loss totaling NT\$7,720 thousand was recognized during 2024 and accounted for under "Other Gains and Losses." Please refer to Note 6(19) for further details.

(VII) Right-of-use assets

The cost and depreciation of the Company's leased land, buildings, machinery and equipment, and transportation equipment are as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost of right-of-use assets:					
Balance on January 1, 2025	\$ -	76,770	884	3,981	81,635
Additions	-	-	-	394	394
Reductions	-	-	-	(776)	(776)
Reclassification	1,748	(1,748)	-	-	-
Balance on December 31, 2025	\$ 1,748	75,022	884	3,599	81,253

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

	Machinery Transporta and tion				Total
	Land	Buildings	equipment	equipment	
Balance on January 1, 2024	\$ -	48,452	666	4,076	53,194
Additions	-	28,318	218	2,226	30,762
Reductions	-	-	-	(2,321)	(2,321)
Balance on December 31, 2024	<u>-</u>	<u>76,770</u>	<u>884</u>	<u>3,981</u>	<u>81,635</u>
Depreciation and impairment loss of right-of-use assets:					
Balance on January 1, 2025	\$ -	24,883	239	1,970	27,092
Current depreciation	-	18,905	229	1,459	20,593
Reductions	-	-	-	(776)	(776)
Reclassification	1,166	(1,166)	-	-	-
Balance on December 31, 2025	<u>\$ 1,166</u>	<u>42,622</u>	<u>468</u>	<u>2,653</u>	<u>46,909</u>
Balance on January 1, 2024	\$ -	5,978	42	2,702	8,722
Current depreciation	-	18,905	197	1,589	20,691
Reductions	-	-	-	(2,321)	(2,321)
Balance on December 31, 2024	<u>-</u>	<u>24,883</u>	<u>239</u>	<u>1,970</u>	<u>27,092</u>
Book value:					
December 31, 2025	<u>\$ 582</u>	<u>32,400</u>	<u>416</u>	<u>946</u>	<u>34,344</u>
January 1, 2024	<u>\$ -</u>	<u>42,474</u>	<u>624</u>	<u>1,374</u>	<u>44,472</u>
December 31, 2024	<u>\$ -</u>	<u>51,887</u>	<u>645</u>	<u>2,011</u>	<u>54,543</u>

(VIII) Short-term borrowings

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

	<u>2025.12.31</u>	<u>2024.12.31</u>
Secured bank loan	<u>\$ -</u>	<u>116,600</u>
Unused credit limit	<u>\$ 1,457,284</u>	<u>972,960</u>
Interest rate range	<u>-%</u>	<u>1.875%</u>

Please refer to Note 8 for the Company's assets pledged as collateral for bank loans.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(IX) Long-term borrowings

The details, conditions and terms of the Company's long-term loan are as follows:

2025.12.31				
	Type of currency	Interest rate range	Year to maturity	Amount
Unsecured bank borrowings	NTD	1.775%~1.8266%	2027~2032	\$ 356,291
Secured bank loan	NTD	1.525%	117	<u>4,643</u>
Subtotal				360,934
Less: Due within one year				<u>(116,317)</u>
Total				<u><u>\$ 244,617</u></u>
Unused credit limit				<u><u>\$ 99,000</u></u>
2024.12.31				
	Type of currency	Interest rate range	Year to maturity	Amount
Unsecured bank borrowings	NTD	1.775%~2.125%	2026~2027	\$ 145,474
Secured bank loan	NTD	1.525%	117	<u>6,500</u>
Subtotal				151,974
Less: Due within one year				<u>(69,265)</u>
Total				<u><u>\$ 82,709</u></u>
Unused credit limit				<u><u>\$ 380,000</u></u>

Please refer to Note 8 for the Company's assets pledged as collateral for bank loans.

(X) Bonds payable

1. The information on the Company's issuance of secured and unsecured convertible bonds is as follows:

	2025.12.31	2024.12.31
Issuance of convertible bonds	\$ 318,500	1,000,000
(X) Unamortized balance of bonds payable	<u>(10,636)</u>	<u>(55,835)</u>
Ending balance of bonds payable	<u><u>\$ 307,864</u></u>	<u><u>944,165</u></u>
Embedded derivatives - call option (reported under financial assets at fair value through profit or loss)	<u><u>\$ 2,375</u></u>	<u><u>2,720</u></u>
Embedded derivatives - put option (reported under Financial liabilities at fair value through profit or loss)	<u><u>\$ 63</u></u>	<u><u>6,930</u></u>
Equity Component – conversion option (reported under capital surplus - stock options)	<u><u>\$ 41,540</u></u>	<u><u>155,011</u></u>
	2025	2024
Fair value gain on remeasurement of embedded derivatives – call and put options (reported under other gains and losses)	<u><u>\$ 6,523</u></u>	<u><u>140</u></u>
Interest expense	<u><u>\$ 18,405</u></u>	<u><u>4,065</u></u>

From April 1 to June 30, 2025, the Company repurchased 86 units of unsecured convertible corporate bonds from the open market at a total cost of NT\$8,598 thousand.

Please refer to Note 8 for details regarding the Company's assets pledged as collateral for convertible bonds.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

2. Key terms of the Company's first issuance of secured and unsecured convertible bonds is as follows:

- (1) Issuance amount: NT\$700,000 thousand, issued at 114.70% of the face value, with a total issuance amount of NT\$802,915 thousand. After deducting issuance costs of NT\$2,500 thousand, the net proceeds of NT\$800,415 thousand have been fully received.
- (2) Term to maturity: Three years (from October 29, 2024 to October 29, 2027).
- (3) Coupon rate: 0%.
- (4) Redemption terms:

The Company may redeem the bonds under the following conditions:

- A. Beginning three months after the issue date and up to 40 days before maturity, if the closing price of the Company's common shares on the Taiwan Stock Exchange exceeds 130% of the then-effective conversion price for 30 consecutive trading days, the Company may redeem the bonds at par value.
- B. Beginning three months after the issue date and up to 40 days before maturity, if the outstanding balance of the bonds falls below 10% of the original aggregate issue amount, the Company may redeem the bonds at par value.

(5) Conversion terms:

- A. Bondholders may apply to convert the bonds into common shares of the Company starting from the day following three months after the issue date until the maturity date, in accordance with the conversion terms.
- B. Conversion price: The initial conversion price was NT\$177.5 per share. In the event of qualifying corporate actions affecting the Company's common shares as stipulated in the bond issuance terms, the conversion price shall be adjusted in accordance with the prescribed formula. The bonds do not contain any reset provisions. As of December 31, 2025, the conversion price was NT\$177.5 per share.

3. Key terms of the Company's second issuance of secured and unsecured convertible bonds is as follows:

- (1) Issuance amount: NT\$300,000 thousand, issued at 100.5% of the face value, with a total issuance amount of NT\$301,500 thousand. After deducting issuance costs of NT\$2,500 thousand, the net proceeds of NT\$299,000 thousand have been fully received.
- (2) Term to maturity: Three years (from October 30, 2024 to October 30, 2027).
- (3) Coupon rate: 0%.
- (4) Redemption terms:

The Company may redeem the bonds under the following conditions:

- A. Beginning three months after the issue date and up to 40 days before maturity, if the closing price of the Company's common shares on the Taiwan Stock Exchange exceeds 130% of the then-effective conversion price for 30 consecutive trading days, the Company may redeem the bonds at par value.
- B. Beginning three months after the issue date and up to 40 days before maturity, if the outstanding balance of the bonds falls below 10% of the original aggregate issue amount, the Company may redeem the bonds at par value.

(5) Conversion terms:

- A. Bondholders may apply to convert the bonds into common shares of the Company starting from the day following three months after the issue date until the maturity date, in accordance with the conversion terms.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

B. Conversion price: The initial conversion price was NT\$193 per share. In the event of qualifying corporate actions affecting the Company's common shares as stipulated in the bond issuance terms, the conversion price shall be adjusted in accordance with the prescribed formula. The bonds do not contain any reset provisions. As of December 31, 2025, the conversion price was NT\$191.6 per share.

(XI) Lease liabilities

The book value of lease liabilities of the Company is as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Current	\$ <u>20,871</u>	<u>20,739</u>
Non-current	\$ <u>15,109</u>	<u>35,748</u>

Please refer to Note 6(20) Financial instruments.

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

	<u>2025</u>	<u>2024</u>
Interest expense of lease liabilities	\$ <u>893</u>	<u>1,285</u>
Expenses of short-term leases	\$ <u>1,760</u>	<u>990</u>
Expenses of low-value lease assets	\$ <u>363</u>	<u>952</u>

The amount of lease recognized in the statement of cash flows is as follows:

	<u>2025</u>	<u>2024</u>
Total cash outflow for leases	\$ <u>23,917</u>	<u>23,718</u>

1. Lease of land, buildings and structures

The Company leased land and buildings as office space on December 31, 2025. The lease period for office space is usually one to five years. Part of the lease includes an option for lease extension for the same period as the original contract at the end of the lease period.

2. Other leases

The Company leases machinery and transportation equipment for a lease period of three to five years. In some lease contracts, the Company has an option to purchase the leased assets at the end of the lease term, while in others, the Company guarantees the residual value of leased assets at the end of the lease period.

(XII) Employee benefits

1. Defined benefit plan

The adjustment of the present value of the Company's defined benefit obligation and the fair value of the plan assets is as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Present value of defined benefit obligation	\$ 33,518	30,427
Fair value of plan assets	<u>(61,266)</u>	<u>(60,313)</u>
Net defined benefit assets	\$ <u>27,748</u>	<u>(29,886)</u>

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

The employee benefit liabilities of the Company are as follows:

	2025.12.31	2024.12.31
Short-term paid absences liability (under other payables)	\$ 5,946	5,526

The Company's defined benefit plan is appropriated to the labor pension reserve account at the Bank of Taiwan. The retirement payment of each employee under the Labor Standards Act is calculated based on the bases earned for the years of service and the average salary six months prior to retirement.

(1) Composition of plan assets

The pension fund appropriated by the Company in accordance with the Labor Standards Act is managed by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the "Bureau of Labor Funds"). The minimum income to be distributed in each year's settlement shall not be lower than the income calculated based on the two-year time deposit interest rate of the local bank.

The Company's labor pension fund account at the Bank of Taiwan is with a balance of NT\$61,266 thousand as of the reporting date. Information on the utilization of assets of the Labor Pension Fund, including fund yield rate and fund asset allocation, is disclosed on the website of the Bureau of Labor Funds, Ministry of Labor.

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

Changes in the present value of the Company's defined benefit obligations as of 2025 and 2024 are as follows:

	2025	2024
Defined benefit obligation as of January 1	\$ 30,427	30,550
Current service cost and interest	572	574
Remeasurement of net defined benefit liabilities (assets)	6,689	(611)
Benefits planned to be paid	(4,170)	(86)
Defined benefit obligation as of December 31	\$ 33,518	30,427

(3) Changes in the fair value of plan assets

Changes in the fair value of the Company's defined benefit plan assets in 2025 and 2024 are as follows:

	2025	2024
Fair value of the plan assets on January 1	\$ 60,313	54,677
Interest income	904	684
Remeasurement of net defined benefit assets	4,219	5,038
Benefits paid by the plan	(4,170)	(86)
Fair value of the plan assets on December 31	\$ 61,266	60,313

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(4) Expenses recognized in profit or loss

The details of expenses listed by the Company in 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Current service cost	\$ 572	574
Net interest of net defined benefit assets	<u>(904)</u>	<u>(684)</u>
Subtotal	<u>(332)</u>	<u>(110)</u>
Cost paid during the period	2,400	-
Pension allocations for managers	<u>10,399</u>	<u>-</u>
Total	<u>\$ 12,467</u>	<u>(110)</u>
	<u>2025</u>	<u>2024</u>
Administrative expenses	<u>\$ 12,467</u>	<u>(110)</u>

(5) Remeasurement of net defined benefit (liability) assets recognized in other comprehensive income

The remeasurement of net defined benefit (liabilities) assets recognized by the Company in other comprehensive income as of December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Accumulated balance on January 1	\$ 7,587	1,938
Recognized in current period	<u>(2,470)</u>	<u>5,649</u>
Accumulated balance on December 31	<u>\$ 5,117</u>	<u>7,587</u>

(6) Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation by the Company at the end of the financial reporting date are as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Discount rate	1.38%	1.50%
Future salary increase	2.00%	2.00%

The Company expects to pay NT\$0 thousand to the defined benefit plan within one year after the 2025 reporting date.

The weighted average duration of the defined benefit plan is 9.3 years.

(7) Sensitivity analysis

The impact of changes in the main actuarial assumptions to be adopted on December 31, 2025 and 2024 and the impact on the present value of defined benefit obligations is as follows:

	<u>Effect on defined benefit obligations</u>	
	<u>Increased amount</u>	<u>Decreased amount</u>
December 31, 2025		
Discount rate (changed by 0.25%)	\$ 687	(658)
Future salary increase (1.00% change)	2,890	(2,480)

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

	Effect on defined benefit obligations	
	Increased amount	Decreased amount
December 31, 2024		
Discount rate (changed by 0.25%)	\$ 450	(438)
Future salary increase (1.00% change)	1,852	(1,688)

The above sensitivity analysis analyzes the impact of changes in a single assumption with other assumptions remaining unchanged. In practice, many changes in assumptions may be linked. The sensitivity analysis is consistent with the method used to calculate the net pension liabilities on the balance sheet.

The methods and assumptions used in the preparation of the sensitivity analysis of the current period are the same as those used in the previous period.

2. Defined contribution plan

The Company's defined contribution plan complies with the Labor Pension Act. An amount equivalent to 6% of the employee's monthly wage is appropriated to the individual labor pension account with the Bureau of Labor Insurance. Under this plan, after appropriating a fixed amount to the Bureau of Labor Insurance, the Company has no legal or constructive obligation to make additional payments.

The Company's pension expenses under the 2025 and 2024 defined contribution plan were NT\$15,980 thousand and NT\$14,109 thousand, respectively.

(XIII) Income tax

1. Income tax expenditure

The Company's income tax expenditure for 2025 and 2024 are as follows:

	2025	2024
Current income tax expenditure		
Occurred in the current period	\$ 128,215	47,595
Adjustments to current income tax for prior periods	28,120	(1,057)
Deferred income tax expense		
Occurrence and reversal of temporary difference	4,848	-
Income tax expenditure	\$ 161,183	46,538

The relationship between the Company's income tax expenses and net income before tax for 2025 and 2024 is adjusted as follows:

	2025	2024
Net income before tax	\$ 531,167	238,748
Income tax calculated in accordance with the domestic tax rate in the place where the Company is located	\$ 106,233	47,750
Tax incentives	(3,618)	(981)
Non-deductible expenses	6	12
Changes in unrecognized temporary differences	28,540	836
Previous low (high) estimate	28,120	(1,057)
Others	1,902	(22)
Total	\$ 161,183	46,538

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

The items that have not been recognized by the Company as deferred income tax assets are as follows:

	<u>2025.12.31</u>	<u>2024.12.31</u>
Deductible temporary difference	<u>\$ 1,454</u>	<u>479</u>

(2) Recognized deferred income tax liabilities

Changes in deferred income tax liabilities are as follows:

Deferred income tax liabilities:	<u>Fair value gain</u>
Balance on January 1, 2025	\$ -
Debited (credited) to income statement	<u>(4,848)</u>
Balance on December 31, 2025	<u>\$ 4,848</u>
Balance on December 31, 2024 (i.e., beginning balance)	<u>\$ -</u>

3. Assessment of income tax

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

(XIV) Capital and other equity

The Company's authorized capital amounted to NT\$800,000 thousand with 80,000 thousand shares issued at NT\$10 par value per share on December 31, 2025 and 2024, respectively. Total shares issued were 69,664 thousand and 65,955 thousand shares, respectively. All payments on the issued shares have been collected.

(Unit: Thousand shares)

	<u>Common stock</u>	
	<u>2025</u>	<u>2024</u>
Opening balance as of January 1	65,955	65,641
Issuance of new restricted employee shares	-	500
Expired new restricted stock award shares issued to employees	(25)	(186)
Conversion of convertible bonds	3,734	-
Closing balance as of December 31	<u>69,664</u>	<u>65,955</u>

1. Issuance of common shares

During 2025, the Company issued 3,734 thousand new shares as a result of convertible bondholders exercising their conversion rights. These shares were issued at face value for a total of NT\$37,344 thousand. As of the financial statement release date, 829 thousand shares had been legally registered, and registration for the remaining 2,905 thousand shares was still pending.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

Summary of the Company's repurchase and cancellation of restricted employee shares:

<u>Cancellation Date</u>	<u>Number of Shares Canceled</u>	<u>Amount Cancelled</u>	<u>Description</u>
2024	186	1,854	Note 1
2025	25	251	Note 2

Note 1: The legal registration process has been completed.

Note 2: As of December 31, 2025, 4,000 shares remained outstanding, as their legal registration had not yet been completed, while the remainder had been registered.

2. Capital surplus

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

	<u>2025.12.31</u>	<u>2024.12.31</u>
Issued stock premium	\$ 1,406,777	662,913
New restricted stock award shares issued to employees	29,822	54,279
Expired stock options	(4,267)	(4,267)
Employee stock option	9,457	9,457
Conversion option embedded in convertible bonds	41,618	155,011
	<u>\$ 1,483,407</u>	<u>877,393</u>

Pursuant to the Company Act, capital reserves shall be first used to make up for losses before issuing new shares or cash based on realized capital reserve according to the original shareholding ratio. The realized capital reserve mentioned in the preceding paragraph includes the premium of shares issued in excess of the par value and the income from gifts received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital reserve for capitalization each year shall not exceed 10% of the paid-in capital.

3. Retained earnings

As stipulated in the Company's Articles of Incorporation, if the Company makes a profit in its financial report, it shall first pay tax and make up for past losses, and then appropriate 10% as legal reserve, and shall appropriate or reverse special reserve in accordance with the laws or regulations or the requirements of the competent authorities. If there is still any distributable earnings, the accumulated undistributed earnings of the previous years shall be added up, and the Board of Directors shall prepare a proposal for the distribution of shareholders' dividends and submit it to the shareholders' meeting for resolution.

The Company is currently in the growth stage. The needs for business expansion such as capital expenditures and working capital are taken into account, as well as the steady development of the Company's short, medium and long-term financial structure, while the focus is on the stability and growth of dividends. In accordance with the preceding Article, 20% or more of the distributable earnings as stated in the annual financial statements shall be set aside for dividend distribution. However, if the accumulated unappropriated earnings of prior years are less than 30% of the paid-in capital, the Company may propose not to distribute such earnings. When the Company distributes stock dividends and cash dividends at the same time, the cash dividends shall not be less than 20% of the total dividends to shareholders for the year.

(1) Legal reserve

When the Company has no losses, the shareholders' meeting may resolve to issue new shares or cash from the legal reserve, provided that such reserve exceeds 25% of the paid-in capital.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(2) Special reserve

According to regulations from the Financial Supervisory Commission, when the Company distributes distributable profits, it must appropriate an amount equal to the net decrease in other shareholders' equity for the year from current period earnings and prior years' unappropriated earnings to a special reserve. If the decrease in other shareholders' equity accumulated in prior years, an equivalent amount must be set aside from prior years' unappropriated earnings and will not be distributed. When other shareholders' equity deductions are reversed, earnings may be distributed proportionally to the amount of the reversal.

(3) Profit distribution

The 2024 and 2023 earnings distribution proposals were resolved in the general shareholders' meetings on June 11, 2025 and June 26, 2024. The dividends distributed to the shareholders are as follows:

	2024		2023	
	Stock dividend rate (NTD)	Amount	Stock dividend rate (NTD)	Amount
Dividends distributed to common stock shareholders:				
Cash in hand	\$ 1.50	98,933	0.50	32,984
Cash-Capital surplus	-	-	-	32,984
Total		<u><u>\$ 98,933</u></u>		<u><u>65,968</u></u>

The amount of cash dividends for the 2025 earnings distribution proposal was proposed by the Board of Directors on March 9, 2026. The amount of dividends distributed to the shareholders is as follows:

	2025	
	Stock dividend rate (NTD)	Amount
Dividends distributed to common stock shareholders:		
Cash in hand	\$ 2.50	<u><u>174,161</u></u>

4. Treasury stocks

In accordance with Article 28-2 of the Securities and Exchange Act and the "Regulations Governing the Repurchase of Shares by Public Companies," the Company resolved at a board meeting on April 10, 2025, to repurchase its own shares for transfer to employees. A total of 23,000 shares were repurchased for a total of NT\$2,576 thousand.

According to the Securities and Exchange Act, treasury stock held by the Company may not be pledged and does not confer shareholder rights until transferred.

(XV) Share-based payment transactions

1. On June 2, 2023, the Company's annual shareholders' meeting resolved to issue 500 thousand Restricted Stock Awards (RSA). The recipients of the new shares are limited to the Company's full-time employees who meet specific conditions. It has been declared with the Securities and Futures Bureau of the Financial Supervisory Commission and went into effect. It was fully issued on January 22, 2024 as resolved by the board of directors. The capital increase base date was February 25, 2024. The fair value on the grant date was NT\$84,000 thousand, determined based on the closing price of NT\$168 per share on the grant date on February 25, 2024, which was used as the fair value for share-based payment recognition.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

Employees who are allocated the above-mentioned restricted stock award and have continuously worked for the Company for one, two and three years from the date of subscription receive 30%, 30% and 40% of the shares allocated to them, respectively. After the employee subscribes for the new shares, but before the vesting conditions are met, they must be transferred to an institution designated by the Company for custody and may not be sold, pledged, transferred, gifted or otherwise disposed of; during the period of the consignment to the trust, the voting rights of the shareholders' meeting shall be kept by the trust Institutions who shall implement these in accordance with the relevant laws and regulations. If an employee is not eligible for the vested conditions after the new shares are subscribed, the shares shall be repurchased by the Company at the issue price in full and written off.

Relevant information of the Company's Restricted Stock Awards (RSA):	Unit: Thousand shares	
	2025	2024
Outstanding quantity as of January 1	487	173
Quantity given in current period	-	500
Quantity vested in this period	(137)	(8)
Expected quantity for cancellation	(4)	(178)
Quantity lost in the current period	(21)	-
Outstanding quantity as of December 31	325	487

2. The Company's employee expenses arising from the share-based payment are as follows:

	2025	2024
Restricted Stock Awards (RSA)	\$ 18,711	21,100

(XVI) Earnings per share

Basic earnings per share for the years ended December 31, 2025 and 2024 are calculated as follows:

	2025	2024
Basic earnings per share		
Net profit attributable to the Company's common stock shareholders	\$ 369,984	192,210
Weighted average number of outstanding common stock (shares in thousands)	66,193	65,468
Basic earnings per share (NT\$)	\$ 5.59	2.94
Diluted earnings per share		
Current net income attributable to the Company	\$ 369,984	192,210
After-tax effects of interest expense and valuation changes on convertible bonds	9,506	(Note)
Net income attributable to the Company's common stock shareholders (adjusted for the potential dilutive effect of common stock shares)	\$ 379,490	192,210
Weighted average number of outstanding common stock (shares in thousands)	66,193	65,468
Restricted Stock Awards (RSA)	368	467
Effect of employee stock compensation	100	76
Impact of conversion of convertible bonds	4,863	(Note)
Weighted average number of outstanding common stock (After adjusting the dilutive potential ordinary shares)	71,524	66,011
Diluted earnings per share (NT\$)	\$ 5.31	2.91

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

Note: The convertible bonds were excluded from the calculation of diluted earnings per share as they had an anti-dilutive effect.

(XVII) Revenue from customer contracts

1. Breakdown of Revenue

	2025	2024
Key regional markets:		
Americas	\$ 1,123,116	837,824
Asia	875,176	757,274
Europe	316,410	158,435
Africa	13,913	15,130
Others	54,387	60,872
	\$ 2,383,002	1,829,535
Main product/service lines:		
Steel ball guide rails	\$ 2,252,456	1,748,969
Others	130,546	80,566
	\$ 2,383,002	1,829,535

2. Contract balance

	2025.12.31	2024.12.31	2024.1.1
Notes receivable	\$ 3,110	3,245	3,597
Accounts receivable	509,215	407,166	273,070
Accounts receivable - related parties	24,064	14,951	2,491
Less: Loss allowance	(451)	(4,189)	(3,972)
Total	\$ 535,938	421,173	275,186

Please refer to Note 6(3) for the disclosure of accounts receivable and its impairment.

(XVIII) Remuneration to employees and directors

The Company's articles of incorporation were amended by a resolution of the shareholders' meeting on June 11, 2025. According to the amended articles of incorporation, if the Company generates a profit in a given year, the Board of Directors has resolved to allocate no less than 2% to employee remuneration, no less than 1% to rank-and-file employee remuneration, and no more than 3% to director remuneration. However, if the Company still has accumulated losses, the amount shall be reserved in advance to offset the losses. Employee remuneration, including that for rank-and-file employees, may be distributed in stock or cash, as authorized by the Board of Directors. Pursuant to the Company's Articles of Incorporation prior to amendment, if there is profit in the year, no less than 3% of the profit shall be appropriated as remuneration to employees and no more than 3% as remuneration to directors. However, if the Company still has accumulated losses, the amount shall be reserved in advance to offset the losses. The employees' remuneration referred to in the preceding paragraph may be paid in the form of shares or cash, and the Board of Directors is authorized to make a resolution on this matter.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

The Company's estimated employee remuneration and rank-and-file remuneration for 2025 and 2024 totaled NT\$28,867 thousand and NT\$12,975 thousand, respectively. Estimated director remuneration was NT\$17,321 thousand and NT\$7,785 thousand, respectively. These are derived by taking the amount of the net income before tax before deducting the remuneration of employees and directors for the period, and multiplied by the share allocation of the remuneration of employees and directors as stipulated in the Articles of Incorporation of the Company as the basis for calculation, which is listed as operating costs or operating expenses for 2025 and 2024. If the actual disbursement for the following year differs from the estimated amount, the difference is treated as a change in accounting estimate and recognized in profit or loss for that year.

The amount of remuneration distributed to employees and directors as resolved by the above-mentioned board meeting is no different from the estimated amount in the Company's 2025 and 2024 parent company only financial statements. Relevant information is available on the Market Observation Post System (MOPS).

(XIX) Non-operating income and expenses

1. Interest income

The Company's interest income as of 2025 and 2024 is as follows:

	2025	2024
Interest on bank deposits	\$ 14,939	11,323

2. Other income

The Company's other income as of 2025 and 2024 is as follows:

	2025	2024
Rental income	\$ 2,940	3,051
Government subsidy revenue	15,887	4,109
Others	13,166	11,768
	\$ 31,993	18,928

3. Other gains and losses

The Company's other gains and losses as of 2025 and 2024 are as follows:

	2025	2024
Gains from the disposal of property, plant and equipment	\$ 3,790	586
Gain (loss) on foreign currency exchange	(8,984)	41,504
Net gain on financial assets at fair value through profit or loss	25,548	2,797
Net gain of financial liabilities at fair value through profit or loss	8,417	70
Impairment loss on property, plant and equipment	-	(7,720)
Others	(53)	-
	\$ 28,718	37,237

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

4. Financial cost

The Company's financial costs for 2025 and 2024 are as follows:

	2025	2024
Interest on bank borrowings	\$ 7,679	(21,392)
Interest on lease liabilities	(893)	(1,285)
Interest on convertible bonds	(18,405)	(4,065)
Others	(6)	(6)
	\$ 26,983	(26,748)

(XX) Financial instruments

1. Credit risk

(1) Credit risk exposure

The book value of financial assets represents the maximum credit risk exposure amount.

(2) Concentration of credit risk

As the Company has a broad customer base and does not conduct transactions with a single customer significantly and has dispersed sales regions, the credit risk of accounts receivable does not have significant concentration. For the objective of lowering credit risk, the Company regularly assesses the financial position of its customers. However, customers are not required to provide collateral.

2. Liquidity risk

The following table shows the contractual maturity dates of financial liabilities, including the effect of estimated interest.

	Book value	Contractual cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
December 31, 2025							
Non-derivative financial liabilities							
Notes payable	\$ 858	858	858	-	-	-	-
Accounts payable	163,088	163,088	163,088	-	-	-	-
Accounts payable- Related party	82,679	82,679	82,679	-	-	-	-
Other payables	58,992	58,992	58,992	-	-	-	-
Lease liabilities	35,980	36,685	10,811	10,545	10,559	4,770	-
Long-term borrowings (including those due within one year)	360,934	377,637	61,171	60,662	56,513	199,291	-
Bonds payable	307,864	330,998	3,359	3,396	324,243	-	-
	\$ 1,010,395	1,050,937	380,958	74,603	391,315	204,061	-
December 31, 2024							
Non-derivative financial liabilities							
Short-term borrowings	\$ 116,600	118,605	118,605	-	-	-	-
Notes payable	50	50	50	-	-	-	-
Accounts payable	111,683	111,683	111,683	-	-	-	-
Accounts payable- Related party	65,589	65,589	65,589	-	-	-	-
Other payables	56,613	56,613	56,613	-	-	-	-
Lease liabilities	56,487	58,080	10,847	10,781	21,156	15,296	-
Long-term borrowings (including those due within one year)	151,974	155,053	32,992	38,457	74,985	8,619	-
Bonds payable	944,165	1,056,671	9,757	9,860	20,034	1,017,020	-
	\$ 1,503,161	1,622,344	406,136	59,098	116,175	1,040,935	-

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

The Company does not expect the cash flow analysis on the maturity date will be significantly early or the actual amount will be significantly different.

3. Exchange rate risk

(1) Exchange rate risk exposure

The financial assets and liabilities of the Company exposed to significant foreign exchange rate risk are as follows:

	2025.12.31			Amount: NTD Thousand 2024.12.31		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary assets</u>						
USD	\$ 33,243	31.419	1,044,462	17,388	32.785	570,066
<u>Financial liabilities</u>						
<u>Monetary liabilities</u>						
USD	7,150	31.419	224,646	2,238	32.785	73,373

(2) Sensitivity analysis

The exchange rate risk of the Company's monetary accounts mainly comes from the foreign currency exchange gains and losses arise during the translation of the cash and cash equivalents, accounts receivable and accounts payable - related parties, denominated in foreign currencies. On December 31, 2025 and 2024, when the value of NTD depreciated or appreciated by 1% against USD, and all other factors remained unchanged, the 2025 and 2024 net income before tax would increase or decrease by NT\$8,198 thousand and NT\$4,967 thousand, respectively. The analysis of two terms is based on the same basis.

The Company discloses the exchange gain or loss of monetary items in a summarized manner. The foreign currency exchange loss (including realized and unrealized) for 2025 and 2024 were NT\$(8,984) thousand and NT\$41,504 thousand, respectively.

4. Interest rate analysis

The interest rate exposure of the Company's financial assets and financial liabilities is described in the liquidity risk management of this note.

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

If the interest rate increases or decreases by 1%, and all other variables remain unchanged, the net income before tax of the Company for 2025 and 2024 will decrease or increase by NT\$3,609 thousand and NT\$1,675 thousand, respectively. This is mainly due to the variable interest rate borrowings of the Company.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

5. Fair value information

(1) Type and fair value of financial instruments

Financial assets and liabilities measured at fair value through profit or loss are measured at fair value on a repetitive basis. The book value and fair value of various financial assets and financial liabilities (including fair value hierarchy information, but the book value of the financial instrument not measured at fair value is a reasonable approximation of the fair value, and there is no quoted price in the active market and the fair value cannot rely on the measured equity instrument investment, and there is no need to disclose the fair value information according to the regulations) is shown as follows:

2025.12.31					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 23,984	-	2,984	-	2,984
Embedded derivative instruments associated with convertible bonds	2,375	-	2,375	-	2,375
Subtotal	\$ 26,359	-	5,359	-	5,359
Financial liabilities at fair value through profit or loss					
Embedded derivative instruments associated with convertible bonds	\$ 63	-	63	-	63
2024.12.31					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Embedded derivative instruments associated with convertible bonds	\$ 2,720	-	2,720	-	2,720
Financial liabilities at fair value through profit or loss					
Embedded derivative instruments associated with convertible bonds	\$ 6,930	-	6,930	-	6,930

(2) Valuation technique for the fair value of financial instruments measured at fair value

(2.1) Non-derivative financial instruments

If there is a quoted market price for the financial instrument, the quoted price on the active market is used as the fair value. The market price announced by major exchanges and TPEX for central government bonds that are determined to be popular are the basis of fair value with open quotation on the active market.

If open quotations of financial instruments can be obtained in a timely manner from exchanges, brokers, underwriters, industrial associations, pricing service institutions or competent authorities, and the prices represent actual and frequently occurring fair market transactions, then the financial instruments have open quotations in the active market. If the above conditions are not met, the market is deemed inactive. Generally speaking, a large spread of the bid-ask spread, a significant increase in the spread of the bid-ask price, or a low trading volume are indicators of an inactive market.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

Except for the above-mentioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained through evaluation technology or by referring to the quotations of the counterparties. The fair value obtained through the evaluation technology can be based on the current fair value of other financial instruments with similar conditions and characteristics, the discounted cash flow method or other evaluation technology, including the value obtained by applying the model to the market information available on the reporting date.

(2.2) Non-derivative financial instruments

The valuation is based on the valuation models widely accepted by the market users, such as the discount method and the option pricing model. Forward exchange contracts are usually evaluated based on the current forward exchange rate. Structured interest rate derivative financial instruments are based on an appropriate option pricing model (such as the Black-Scholes model) or other evaluation methods, such as Monte Carlo simulation.

(XXI) Financial risk management

1. Summary

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

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

The Company's risk exposure information and the objectives, policies and procedures of the Company's risk measurement and management are disclosed in the notes. Please refer to the notes to the parent company only financial statements for further quantitative disclosure.

2. Risk management framework

The Board of Directors is solely responsible for establishing and supervising the risk management framework of the Company. The Board of Directors has established a Risk Management Committee to be responsible for developing and controlling the risk management policies of the Company, and to report its operations to the Board of Directors on a regular basis.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and the compliance of risk limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the operation of the Company. The Company develops a disciplined and constructive controlled environment through training, management guidelines, and operating procedures so that all employees understand their roles and obligations.

Monitor the compliance of the Company's risk management policies and procedures, and review the adequacy of the Company's relevant risk management framework for the risks faced. The internal auditors assist the Company's Audit Committee to play a supervisory role. These personnel conduct regular and ad hoc reviews of risk management controls and procedures, and report the results of the review to the Audit Committee.

3. Credit risk

Credit risk is the risk of financial loss resulting from the failure of the Company's customers or financial instrument trading counterparties to perform contractual obligations, which mainly comes from the Company's accounts receivable from customers and securities investment.

(1) Accounts receivable and other receivables

The Company has established a credit policy. According to the policy, before granting standard payment and shipping terms and conditions, the consolidated company shall analyze the credit rating of each new customer and establish an individual credit limit to control the credit risk.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(2) Investments

The credit risk of bank deposits and other financial instruments is measured and monitored by the Company's finance department. Since the counterparties of the Company are banks with good credit ratings and there is no significant performance doubts, there is no significant credit risk.

4. Liquidity risk

Liquidity risk is the risk that the Company cannot deliver cash or other financial assets to settle financial liabilities and fail to fulfill related obligations. The Company manages liquidity by ensuring that, as far as possible, under normal and stressed circumstances, the Company has sufficient working capital to cover liabilities as they fall due, without causing unacceptable losses or risk of damage to the Company's reputation.

The Company manages and maintains sufficient cash and cash equivalents to fund its operations and mitigate the impact of cash flow fluctuations. The Company's management supervises the use of the bank's financing facilities and ensures compliance with the terms of the loan contract.

Bank borrowings are an important source of liquidity to the Company. As of December 31, 2025 and 2024, the Company's unused short-term bank facilities amounted to NT\$1,457,284 thousand and NT\$972,960 thousand, respectively.

5. Market risk

Market risk refers to the risk that changes in market prices, such as exchange rates, interest rates, and equity instrument price changes, which will affect the Company's income or the value of financial instruments. The objective of market risk management is to control market risk exposure within the tolerable range and to optimize investment returns.

(1) Exchange rate risk

The Company is exposed to the exchange rate risk generated by the sales transactions denominated in non-functional currency. The Company's functional currency is mainly the New Taiwan Dollar. These transactions are mainly denominated in the currencies of NTD, USD, and VND.

The Company uses USD forward contracts to balance accounts receivable denominated in USD to reduce the risk of valuation loss of USD accounts receivable due to exchange rate fluctuations.

The borrowing interest is denominated in the principal currency. In general, the borrowings are denominated in the same currency as the cash flows generated by the Company's operations, mainly in New Taiwan Dollars. In this case, the Company provides economic hedging without the need to enter into derivative instruments; therefore, hedge accounting is not adopted.

Regarding other monetary assets and liabilities denominated in foreign currencies, when a short-term imbalance occurs, the Company ensures that the net risk exposure is maintained at an acceptable level by buying or selling foreign currencies at the real-time exchange rate.

(2) Interest rate risk

The Company's interest rate risk arises from long-term and short-term borrowings (including long-term borrowings due within one year). Borrowings at floating interest rates expose the Company to cash flow interest rate risk, which is partially offset by the cash and cash equivalents held at floating interest rates. The Company's borrowings at floating interest rates are denominated in NTD.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(XXII) Capital management

The objectives of the Company's capital management are to ensure the ability to continue as a going concern, to continuously provide shareholder returns and other benefits for stakeholders, and to maintain the optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, or sell assets to pay off liabilities.

The Company manages capital based on the debt capital ratio. The said ratio is net debt divided by total capital. Net liabilities are the total liabilities shown in the balance sheet less cash and cash equivalents. Total capital is all of the equity (i.e. share capital, capital reserve, retained earnings and other equity) plus net liabilities.

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

	2025.12.31	2024.12.31
Total liabilities	\$ 1,226,000	1,635,407
Less: Cash and cash equivalents	(414,374)	(298,540)
Net liabilities	811,626	1,336,867
Total equity	3,143,654	2,230,979
Total capital	\$ 3,955,280	3,567,846
Debt capital ratio	20.52%	37.47%

(XXIII) Investment and financing activities of non-cash transactions

1. For the right-of-use assets acquired by lease, please refer to Note 6(7).
2. The adjustment of liabilities from financing activities is as follows:

	2025.1.1	Cash flow	Non-cash changes		2025.12.31
			New Lease Agreements	Others	
Long-term borrowings	\$ 151,974	208,960	-	-	360,934
Short-term borrowings	116,600	(116,600)	-	-	-
Lease liabilities	56,487	(20,901)	394	-	35,980
Bonds payable	944,165	(8,598)	-	(627,703)	307,864
Total liabilities from financing activities	\$ 1,269,226	62,861	394	(627,703)	704,778

	2024.1.1	Cash flow	Non-cash changes		2024.12.31
			New Lease Agreements	Others	
Long-term borrowings	\$ 837,828	(685,854)	-	-	151,974
Short-term borrowings	418,690	(302,090)	-	-	116,600
Lease liabilities	46,216	(20,491)	30,762	-	56,487
Bonds payable	-	1,099,415	-	(155,250)	944,165
Total liabilities from financing activities	\$ 1,302,734	90,980	30,762	(155,250)	1,269,226

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

VII. Related party transactions

(I) Name of related party and relationship

Transactions with the Company's subsidiaries and other related parties during the period covered by the parent company only financial statements are as follows:

Name of related party	Relationship with the Company
Chin-Lan Li	Chairman of the Company
Jen-Shan Wu	President of the Company
SUZHOU NAN JUEN TRADE CO., LTD (hereinafter referred to as "Suzhou Trading")	Subsidiary of the Company
REPON (USA), INC.	Subsidiary of the Company
REPON TECH (VIETNAM) COM. ,LTD.	Subsidiary of the Company
Suzhou Repon Industrial Co., Ltd. (hereinafter referred to as "Suzhou Repon")	Its chairman is the same as the chairman of the Company
SHERN DAR INDUSTRIAL CORP. (hereinafter referred to as Shern Dar Industrial)	Its Chairman is a second-degree relative of the Chairman of the Company
UNITED FORTUNE INVESTMENT LIMITED COMPANY	Its Chairman is the same as the President of the Company

(II) Significant transactions with related parties

1. Operating income

	2025	2024
Other related party	\$ 4,096	3,827
Subsidiary	105,959	57,456
	\$ 110,055	61,283

The payment terms of the above-mentioned sales of the Company are not significantly different from those of general customers, and the sales price is negotiated by both parties according to the specifications of individual item numbers. The receivables between related parties have not been accepted as collateral, and after assessment, it is not necessary to recognize the impairment loss.

2. Purchase of goods

The Company's purchase amount to the related party is as follows:

	2025	2024
Other related party - Suzhou Repon	\$ 146,883	135,691
Subsidiary	177,215	-
Other related party	30,790	41,249
	\$ 354,888	176,940

The Company does not purchase the same type of products from other suppliers, so the purchase price from the related party is not comparable to that of general suppliers, and the payment term is 60 to 90 days, which is not significantly different from that of general suppliers.

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

3. Leases

The Company leased buildings and land from other related parties in January 2024, and with reference to the rent and land prices in the neighborhood, a three-year lease contract was signed with a total contract value of NT\$27,360 thousand and a deposit of NT\$2,040 thousand was paid and was accounted for under "other non-current assets." Interest expenses recognized by the Company in 2025 and 2024 amounted to NT\$265 thousand and NT\$440 thousand, respectively. As of December 31, 2025 and 2024, the lease liabilities were NT\$9,155 thousand and NT\$18,010 thousand, respectively.

In 2024, the Company entered into a three-year lease agreement with a key management personnel for the lease of the Yunlin Beigang Plant. The contract value was NT\$1,800 thousand, based on prevailing market rental rates and land values in the vicinity. Interest expenses recognized by the Company in 2025 and 2024 amounted to NT\$17 thousand and NT\$29 thousand, respectively. As of December 31, 2025 and 2024, the lease liabilities were NT\$595 thousand and NT\$1,177 thousand, respectively.

4. Endorsements and guarantees

The Company's borrowings from financial institutions on December 31, 2025 and 2024 were jointly guaranteed by the key management personnel of the parent company in accordance with the requirements of some borrowing agreements.

5. Receivables from related parties

<u>Presentation item</u>	<u>Category of related party</u>	<u>2025.12.31</u>	<u>2024.12.31</u>
Accounts receivable	Other related party	\$ 1,645	924
Accounts receivable	Subsidiary	22,419	14,027
Other receivables	Other related party	-	-
Other receivables	Subsidiary	9,177	8,568
		<u>\$ 33,241</u>	<u>23,519</u>

6. Payables to related parties

<u>Presentation item</u>	<u>Category of related party</u>	<u>2025.12.31</u>	<u>2024.12.31</u>
Accounts payable	Other related party - Suzhou Repon	\$ 30,095	56,623
Accounts payable	Subsidiary	46,483	-
Accounts payable	Other related party	6,101	8,966
		<u>\$ 82,679</u>	<u>65,589</u>

7. Property transactions

(1) Purchase equipment and mold materials from related parties

	<u>2025</u>	<u>2024</u>
Purchase of equipment and mold materials	<u>\$ 341</u>	<u>20,086</u>
Development was completed and the asset was reclassified as fixed assets.	<u>\$ 17,284</u>	<u>4,826</u>
	<u>2025.12.31</u>	<u>2024.12.31</u>
	<u>\$ 84</u>	<u>17,057</u>

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

(2) The Company sold consumables to its subsidiary, Repon Tech (Vietnam) Co., Ltd., with total proceeds amounting to NT\$351 thousand in 2024. As of December 31, 2024, the full amount had been collected. The unrealized downstream gain on the transaction totaling NT\$351 thousand was recognized under "other income."

(3) The Company recognized the following unrealized and realized downstream gains from the sale of equipment to its subsidiary, Repon Tech (Vietnam) Co., Ltd. in 2025 and 2024:.

	<u>2025</u>	<u>2024</u>
Unrealized downstream gain on disposal of fixed assets	\$ 9,835	(12,301)
Realized downstream gain on disposal of fixed assets	3,300	78
	<u><u>\$ 6,535</u></u>	<u><u>(12,223)</u></u>

As of December 31, 2025 and 2024, the unrealized downstream gain of NT\$18,758 thousand and NT\$12,223 thousand, respectively, had been eliminated against the investment accounted for using the equity method and presented as a deduction under "investments accounted for using equity method."

8. Other

On November 7, 2025, the Company's Board of Directors approved the acquisition of land and a plant located at No. 38, Ke-gong 7th Rd., Douliou City, Yunlin County from UNITED FORTUNE INVESTMENT, a related party, for use in the production of the Yunlin County Third Plant. The acquisition price was NT\$386,000 thousand (before tax). As of December 31, 2025, NT\$19,300 thousand (before tax) had been paid as a contract deposit and is listed under "Other current assets."

(III) Key management personnel transactions

The remuneration to the Company's key management personnel includes:

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 29,028	20,759
Post-employment benefits	2,796	108
	<u><u>\$ 31,824</u></u>	<u><u>20,867</u></u>

VIII. Pledged assets

As of December 31, 2025 and 2024, the Company's assets pledged as collateral are as follows:

<u>Mortgage and pledge of assets</u>	<u>Subject matter of guarantee</u>	<u>2025.12.31</u>	<u>2024.12.31</u>
Other current assets	Option margin	\$ 6,986	3,807
Other current assets	Restricted grants	-	3,605
Other current assets	Letter of guarantee for technical cooperation	14,493	3,612
Other current assets	Performance guarantee deposit	-	3,600
Land, buildings and structures	Collateral for bank loans and bonds	2,057,938	2,089,093
		<u><u>\$ 2,079,417</u></u>	<u><u>2,103,717</u></u>

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) Significant unrecognized contractual commitments:

As of December 31, 2025 and 2024, the unrecognized contractual commitments of the Company for the acquisition of property, plant and equipment before tax amounted to NT\$392,070 thousand and NT\$17,491 thousand, respectively.

(II) As of December 31, 2025 and 2024, the Company had unused letters of credit for NT\$92,716 thousand and NT\$64,040 thousand, respectively, for the purchase of raw materials.

(III) The amount of the guaranteed deposit/guarantee notes issued by the Company to purchase goods from the vendor amounted to NT\$12,500 thousand as of December 31, 2025 and 2024.

X. Losses due to major disasters: None.

XI. Material events after the reporting period:

(I) On November 7, 2025, the Company's Board of Directors approved the acquisition of land and a plant located at No. 38, Ke-gong 7th Rd., Douliou City, Yunlin County from UNITED FORTUNE INVESTMENT, a related party, for use in the production of the Yunlin County Third Plant. The acquisition price was NT\$386,000 thousand (before tax). The transfer of ownership was completed in February 2026, and the plant's lease was terminated. In addition, the consolidated company obtained the solar power generation equipment located on the roof of the plant following a resolution by the Board of Directors on February 2, 2026. The estimated purchase price is NT\$12,849 thousand (before tax).

(II) The Company has its headquarters office in the north. On February 2, 2026, the Board of Directors approved the acquisition of the 19th floor of the Joyes CBD project in Taoyuan City for future headquarters use at a purchase price of NT\$350,750 thousand before tax.

XII. Others

The employee benefits, depreciation and amortization expenses are summarized by function as follows:

Function Nature	2025			2024		
	Attributable to operating costs	Attributable to operating expenses	Total	Attributable to operating costs	Attributable to operating expenses	Total
Employee benefit expense						
Salary expenses	267,542	107,187	374,729	241,456	97,713	339,169
Labor and national health insurance expenses	31,353	9,493	40,846	28,197	8,660	36,857
Pension expense	10,760	17,687	28,447	10,048	3,951	13,999
Remuneration to directors	-	20,397	20,397	-	14,619	14,619
Other employee benefit expenses	11,153	8,464	19,617	10,173	2,190	12,363
Depreciation expense	80,916	30,397	111,313	75,557	30,979	106,536
Amortization expense	1,060	4,225	5,285	410	3,454	3,864

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

Additional information on the number of employees and employee benefit expenses as of 2025 and 2024 is as follows:

	2025	2024
Number of Employees	603	579
Number of Directors who are not also employees	7	7
Average employee benefit expense	\$ 778	703
Average employee salaries and wages	\$ 629	593
Average adjustment to employee salaries	6.07%	15.37%
Remuneration to supervisors	\$ -	-

The Company's remuneration policy (including directors, managers and employees) is as follows:

The remuneration to the Company's directors mainly consists of the directors' compensation and remuneration to directors. In accordance with the Company's Articles of Incorporation, the remuneration to the directors is determined by the Board of Directors after the approval of the Remuneration Committee based on their participation in the Company's operations and contribution value, and taking into account the general standards in the industry. In addition, in accordance with the Company's Articles of Incorporation, remuneration to directors may be made based on the annual profit not higher than 3%. In accordance with the "Regulations Governing the Remuneration of Directors and Functional Committee Members", the Company provides reasonable remuneration to the directors taking into account the annual performance evaluation of individual directors and the actual attendance, and the operational risk assessment and operational performance contribution by individual directors. Upon the approval of the Remuneration Committee, the Board of Directors resolves and submits the directors remuneration to the Shareholders' Meeting.

The Company's managerial officers and employees are compensated in the form of salaries, bonuses and remuneration. The fixed salaries for managerial officers and employees are approved based on the market standard. In addition to bonuses, the Company's Articles of Incorporation provides that employees' remuneration is based on a profit of no less than 3% for the year. Based on the operating performance targets set by the Company, individual performance of managers and employees is reviewed to pay bonuses to employees to encourage managers and employees to perform long-term work.

The remuneration policy of the Company's directors, managers and employees, in addition to assessing its positive correlation with business performance, takes into account industry business risks and future long-term development trends, while focusing on short-term and long-term reward systems to seek sustainable operations and the balance between risk management and control.

XIII. Disclosures in notes

(I) Information on significant transactions: None.

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company shall further disclose the relevant information of the material transactions in 2025 as follows:

1. Loans to others: None.
2. Endorsements/guarantees for others: None.
3. Significant securities held at the end of the period (excluding investments in subsidiaries, affiliated companies, and joint venture equity interests):

Companies in possession	Type and name of marketable securities	Relationship with the securities issuer	Presentation account	Ending period				Note
				Number of shares	Book value	Shareholding ratio	Fair value	
SUZHOU NAN JUEN TRADE CO., LTD	Bank of China's cumulative- Daily wealth management products	-	Financial assets measured at fair value through profit or loss- Current	-	4,891	100.00%	4,891	

Notes to the parent company only financial statements of NAN JUEN INTERNATIONAL CO., LTD.. (Continued)

4. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital:

Purchasing/Selling company	Name of trading counterpart	Relationship	Trading details				Differences in trading terms compared to general trading and reasons thereof		Notes and accounts receivable (payable)		Remarks
			Purchase (sale) amount	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Suzhou Repon Industrial Co., Ltd.	Other related party	Purchase of goods	146,883	12.39 %	Monthly settlement 60 days	-	-	(30,095)	(12.20)%	
The Company	REPONTECH(VIETNAM)COM.,LTD.	Subsidiary of the Company	Purchase of goods	177,215	14.95 %	60 days after the commencement date	-	-	(46,483)	(18.85)%	

5. Receivables from related parties amounting to NT\$100 million or more than 20% of the paid-in capital:
None.

(II) Information on investees:

Unit: Thousand shares

Name of Investment Company	Name of investee	Location of the area	Main business items	Initial investment amount		Held at end of period			Investee profit or loss for the period	Investment gains and losses recognized in the current period	Remarks
				End of current period	End of last year	Number of shares	Ratio	Book value			
The Company	REPON (USA), INC	US	Sale of steel ball guide rails	14,974 (USD 500)	14,974 (USD 500)	1	100.00%	26,051	4,099	5,461	
The Company	REPON TECH(VIETNAM) COM.,INC	Vietnam	Manufacture and sale of steel ball guide rails	418,874 (USD13,066)	338,439 (USD10,500)	-	100.00%	360,292	(9,013)	(7,274)	

(III) Mainland China Investment Information:

1. Information on investments in Mainland China:

Name of investee company in Mainland China	Main business items	Paid-in capital	Investment method (Note)	Accumulated investment amount remitted from Taiwan at the beginning of the period	Investment amount remitted or recovered in the current period		Accumulated investment amount remitted from Taiwan at the end of the period	Investee profit or loss for the period	The Company's shareholding ratio in direct or indirect investments	Investment gains and losses recognized in the current period	Book value of investment at the end of the period	Repatriated investment income up to the current period
					Remitted	Withdrawal						
SUZHOU NAN JUEN TRADE CO., LTD	Sale of steel ball guide rails	15,500 (USD 500)	(I)	15,500 (USD 500)	-	-	15,500 (USD 500)	1,25	100.00%	1,25	4,23	-

Note 1: There are three types of investment:

- (I) Direct investment in Mainland China.
- (II) Reinvestment in Mainland China companies is carried out through companies set up in third regions.
- (III) By any other means.

Note 2: The above transactions have been written off when the consolidated financial statements are prepared.

2. Limit of investment in Mainland China:

Accumulated amount of remittance from Taiwan to Mainland China at the end of the period	Amount of investment approved by the Investment Commission, Ministry of Economic Affairs	The limit on investment in Mainland China stipulated by the Investment Commission of the Ministry of Economic Affairs
15,500 (USD 500 thousand)	94,200 (USD 3,000 thousand)	1,886,192

3. Material transactions: None.

XIV. Segment Information

Please refer to the 2025 consolidated financial statements.

NAN JUEN INTERNATIONAL CO., LTD.

Statement of Cash and Cash Equivalents

December 31, 2025

Unit: NTD

Item	Summary	Amount
Cash in hand	Cash on hand	\$ 620
Demand deposits		96,870
Foreign currency deposits	USD 8,484 thousand	266,567
	EUR 9 thousand	317
Repurchase Agreement	Due date January 22, 2026. Agreed interest rate 1.2%.	50,000
	Subtotal	413,754
Total		\$ 414,374

Note: Foreign currency deposits are converted at the spot exchange rate as of December 31, 2025.

USD: NTD = 1: 31.419

Euro: NTD = 1: 36.86

Statement of Accounts Receivable

Item	Amount
Customer B	\$ 63,198
Customer K	35,232
Customer M	33,183
Customer A	30,861
Customer N	28,966
Others (all less than 5%)	317,775
Less: Loss allowance	(451)
Total	\$ 508,764

NAN JUEN INTERNATIONAL CO., LTD.

Statement of Inventories

December 31, 2025

Unit: NTD

<u>Item</u>	<u>Amount</u>	
	<u>Costs</u>	<u>Net realizable value</u>
Raw materials	\$ 63,848	62,928
Materials	8,473	8,502
Work in process	53,278	56,713
Finished products	245,093	517,019
Goods	<u>82,543</u>	67,929
Subtotal	453,235	
Less: Allowance for inventory obsolescence losses	<u>(9,436)</u>	
Total	<u>\$ 443,799</u>	

NAN JUEN INTERNATIONAL CO., LTD.
Statement of Changes in Investment Using Equity Method
January 1, 2025 to December 31, 2025

Unit: NTD Thousand/Thousand shares

Name of investee	Opening balance		Increase in the current period		Decrease in current period		Investment income (loss) under equity method	Translation adjustment	Others	Closing balance			Market price or net equity amount	Guarantee or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount				Number of shares	Shareholding ratio	Amount		
SUZHOU NAN JUEN TRADE CO., LTD	-	\$ 2,845	-	-	-	-	1,250	140	-	-	100.00	4,235	4,235	None
REPON (USA), INC.	1	21,682	-	-	-	-	4,099	(1,091)	1,361	1	100.00	26,051	29,255	None
REPON TECH (VIETNAM)..	-	304,381	-	80,435	-	-	388	(17,250)	(7,662)	-	100.00	360,292	371,606	None
Subtotal		<u>\$ 328,908</u>		<u>80,435</u>		-	<u>5,737</u>	<u>(18,201)</u>	<u>(6,301)</u>			<u>390,578</u>		

NAN JUEN INTERNATIONAL CO., LTD.

Statement of Accounts Payable

December 31, 2025

Unit: NTD

<u>Item</u>	<u>Amount</u>
Supplier G	\$ 23,928
Supplier E	15,834
Supplier M	10,697
Supplier I	9,377
Supplier P	9,323
Supplier Q	9,013
Others (all less than 5%)	<u>84,916</u>
Total	<u><u>\$ 163,088</u></u>

Statement of other payables

<u>Item</u>	<u>Amount</u>
Payables and employee bonus	\$ 73,838
Directors' remuneration payable	17,321
Labor and health insurance premiums payable	9,205
Others (all less than 5%)	<u>53,547</u>
Total	<u><u>\$ 153,911</u></u>

NAN JUEN INTERNATIONAL CO., LTD.

Statement of long-term borrowings

December 31, 2025

Unit: NTD

<u>Summary</u>	<u>Creditors</u>	<u>Portion of maturity within one year</u>	<u>Portion of maturity over one year</u>	<u>Duration of contract</u>	<u>Interest rate range</u>	<u>Financing limit</u>	<u>Pledge or guarantee</u>
Credit loans	Chang Hwa Bank	\$ 69,500	5,792	2022/7/4~2027/1/5	1.775%	139,000	None
Secured borrowings	Taiwan Cooperative Bank	1,857	2,785	2021/6/30~2028/6/30	1.525%	100,000	(Note 1)
Credit loans	O-Bank Co., Ltd.	<u>44,960</u>	<u>236,040</u>	2025/11/1~2032/1/1	1.8266%	480,000	None
	Total	<u>\$ 116,317</u>	<u>244,617</u>				

(Note 1) Please refer to Note 8 to the parent company only financial statements.

NAN JUEN INTERNATIONAL CO., LTD.

Statement of Operating Revenue

January 1, 2025 to December 31, 2025

Unit: NTD

<u>Item</u>	<u>Amount</u>
Steel ball guide rails	\$ 2,252,456
Others	130,546
Net operating revenue	<u>\$ 2,383,002</u>

Note: The above amount has deducted the sales returns and discount of NT\$4,094 thousand.

NAN JUEN INTERNATIONAL CO., LTD.

Statement of Operating Cost

January 1, 2025 to December 31, 2025

Unit: NTD

Item	Amount
Raw materials:	
Raw materials, beginning of period	\$ 65,173
Add: Materials purchased	381,738
Less: Raw materials, end of the period	(63,848)
Inventory deficit	(22)
Raw materials consumed in current period	383,041
Materials at beginning of period	8,115
Add: Net purchase of materials in current period	476,805
Less: Materials, end of the period	(8,473)
Transfer expenses	(24,905)
Inventory deficit	(2)
Scrapped	(677)
Consumed supplies in current period	450,863
Direct labor	143,607
Manufacturing overhead	449,063
Manufacturing cost	1,426,574
Add: Work in process at beginning of period	48,961
Less: Work in process at end of period	(53,278)
Cost of finished goods	1,422,257
Add: Finished goods at beginning of period	149,340
Current purchases	2,884
Less: Finished goods at end of period	(245,093)
Transfer expenses	(402)
Inventory deficit	(185)
Scrapped	(1,154)
Cost of self-made goods sold	1,327,647
Merchandise, beginning	5,837
Add: Net purchase in current period	323,870
Less: Merchandise, end of the period	(82,543)
Scrapped	(24)
Inventory deficit	(1)
Cost of merchandise goods sold	247,139
Cost of goods sold	1,574,786
Inventory deficit	210
Loss of obsolete inventory	1,855
Inventory write-downs	1,883
Operating cost	\$ 1,578,734

NAN JUEN INTERNATIONAL CO., LTD.

Statement of sales and marketing expenses

January 1, 2025 to December 31, 2025

Unit: NTD

Item	Amount
Commission expenses	\$ 29,955
Salary expenses	24,866
Export expenses	17,091
Freight charges	7,121
Others (less than 5% of the account balance)	12,665
Total	\$ 91,698

Statement of administrative expenses

Item	Amount
Salary expenses	\$ 65,860
Depreciation	27,071
Misellaneous expenses	19,827
Pension	14,774
Others (less than 5% of the account balance)	42,225
Total	\$ 169,757

Statement of R&D expenses

Item	Amount
Salary expenses	\$ 37,365
R&D expenses	6,100
Prototyping expenses	5,056
Insurance expenses	3,363
Others (less than 5% of the account balance)	14,718
Total	\$ 66,602

Please refer to Note 6(6) for details of changes in property, plant and equipment.

Please refer to Note 6(6) for details of changes in accumulated depreciation of property, plant and equipment.

Please refer to Note 6(7) for details of changes in right-of-use assets.

Please refer to Note 6(7) for details of changes in right-of-use assets.

Please refer to Note 6(10) for details of the schedule of bonds payable.