Stock Code：4571

KHGEARS INTERNATIONAL LIMITED

2025 ESG Report

Printed on August 28, 2026

This report can be found on the website: https://esggenplus.twse.com.tw/

The ESG report is available at KHGEARS website: https://www.khgears.com

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This English version is a translation of an original ESG report in Mandarin Chinese language. The English version is provided for information purposes only. In the event of any discrepancy between this translation and the original report, the original report shall prevail.

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Chapter I About the report

1. A word from the Management

Khgears Group has been deeply involved in the gear industry for many years. It adheres to the business philosophy of "integrity, professionalism, innovation, and meeting customer needs" and carefully selects customers and orders to enter various industries with the niche of high quality, short delivery time, and excellent prices. The supply chain of the mid-to-high-end product lines of major international brands is aimed at avoiding complete price competition for products, enabling better profits, and being able to invest more resources in the technology, equipment, and talents needed for the Company's future development, and strengthen our competitiveness. By providing customers with better products and services, the Group aims to foster a positive development of mutual benefit and win-win outcomes for both the Group and its customers.

Khgears Group has always adhered to strict ethical and legal compliance principles, striving to operate with fairness and integrity in our business operations, treating our customers, employees, shareholders, suppliers, the community, and other stakeholders with integrity. We firmly believe that corporate success stems not only from economic success but also from good corporate governance and the fulfillment of corporate social responsibility. In response to the increasing severity of global climate change and global warming, countries are increasingly prioritizing environmental protection. In addition to continuously improving production processes to reduce energy consumption and carbon emissions, our company has also innovatively developed mid-mounted motors for electric-assisted bicycles, in line with the trend of promoting low-carbon transportation in markets such as Europe and Japan, contributing to the realization of a low-carbon economy and the reduction of greenhouse gas emissions.

Looking ahead, Khgears will continue to deepen the meaning of sustainable operations, strengthen communication and response with stakeholders, and continuously enhance the transparency and impact of information disclosure. We believe that corporate success depends not only on commercial achievements but also on making the greatest contribution to the overall positive development of the environment, society, and economy, leaving a beautiful and sustainable environment for future generations.

KHGEARS INTERNATIONAL LIMITED
Chairman: KWOK HING GLOBAL LIMITED
Representative: Ko Kowk Hing

2. About the Khgears

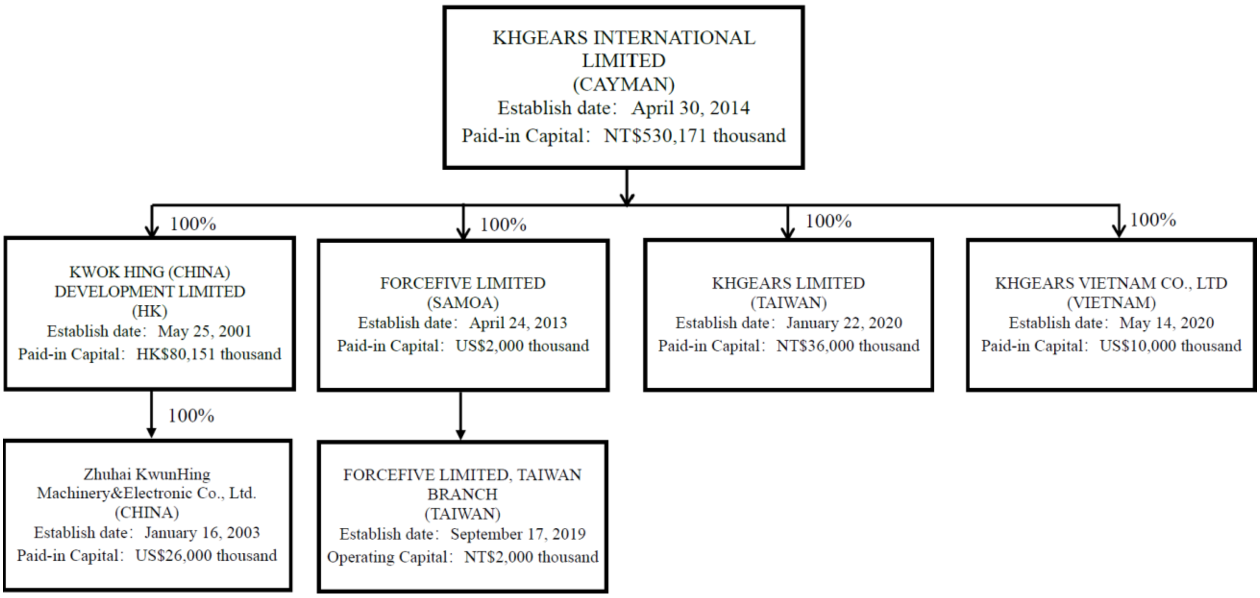
A. Overview

KHGEARS INTERNATIONAL LIMITED (hereinafter referred to as Khgears, the Company, or the Group) is a holding company established in the Cayman Islands on April 30, 2014. The Group is principally engaged in the research, development, manufacturing, and sales of products such as bevel gears, cylindrical gears, powder metallurgy gears, gearboxes, precision hardware, and harmonic reducers. The Group serves industries such as power tools, garden tools, industrial sewing machines, yachts, bicycles, medical equipment, and industrial robots.

Khgears Group Basic Information

Company Name	KHGEARS INTERNATIONAL LIMITED
Date of establishment	April 30, 2014
Capital	NT$530,171,000
Stock listing date	Listed on the Taiwan Stock Exchange on September 17, 2019
Stock code	4571
Industry	Electrical and Mechanical Industries
Revenue	Group consolidated revenue in 2025 is NT$3,064,957 thousands
Number of employees	838 (as of December 31, 2025)
Operation Locations	●Taipei Office 4F-3, No. 106, Section 3, Xinyi Road, Da'an District, Taipei City ●Cayman Islands (Registered Address) Portcullis (Cayman) Ltd., The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands ●Zhuhai Factory - Zhuhai Junxing Mechanical & Electrical Co., Ltd. No. 6, Zhufeng Avenue South, Ganwu Town, Doumen District, Zhuhai City, Guangdong Province ●Vietnam Factory - KHGEARS VIETNAM CO., LTD D.04 Road, Chau Duc Industrial Park, Trung Nghia Village, Nghia Thanh Community, Ho Chi Minh City, Vietnam ●Taichung R&D Center 1F, No. 99, Jingke South Road, Nantun District, Taichung City

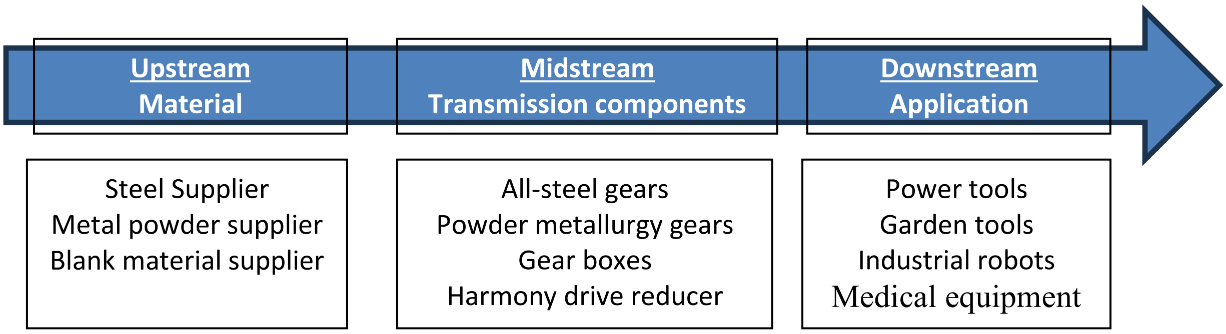
The Group's investment structure and the main functions of its subsidiaries and branches are as follows:



Name	Date of establishment	Register country/place	Main function with the group
KHGEARS INTERNATIONAL LIMITED	2014.04.30	Cayman	Holding Company
KWOK HING (CHINA) DEVELOPMENT LIMITED	2001.05.25	Hong Kong	Holding Company
FORCEFIVE LIMITED	2013.04.24	Samoa	Sales of gears and gearbox and holding company
FORCEFIVE LIMITED, TAIWAN BRANCH	2019.09.17	Taiwan	Sales of gears and gearbox
Zhuhai KwunHing Machinery&Electronic Co., Ltd.	2003.01.16	China	R&D, manufacturing and sales of gears and gearbox
KHGEARS LIMITED	2020.01.22	Taiwan	R&D, manufacturing and sales of gears and gearbox
KHGEARS VIETNAM CO., LTD	2020.05.14	Vietnam	R&D, manufacturing and sales of gears and gearbox

B. Correlation with up, mid, and downstream industries

The company belongs to the metal processing manufacturing industry. It mainly provides R&D, production and sales of small and medium modulus gears, gear boxes and precision hardware. The products can be further subdivided into all steel and powder metallurgy according to the raw material. The upstream of the industry is mainly suppliers of raw materials such as steel and iron powder and manufacturers of semi-finished products that provide rough materials. The midstream is a manufacturer of various transmission components such as gears and hardware components. The downstream is a terminal demand and is used in various industrial fields.



Our products are mainly sold to global brand manufacturers in the power tools, garden tools, industrial robots, industrial sewing machines, yachts, medical equipment and other industries. Our terminal sales markets cover the United States, Europe, China, Japan, Southeast Asia and other regions.

The company also cooperates with academic institutions and currently has an industry-university research activity agreement with National Formosa University(NFU) on the principle of sharing talent resources, both parties carry out talent exchange. NFU selects scientific and technological experts to assist Khgears in scientific research and production management activities. In addition, students can intern at Khgears during the holidays, and after graduation, Khgears will give priority to recruiting them based on the principle of merit.

Compared with 2024, there will be no significant changes in the Company's value chain, products and services, and business relationships in 2025.

3. Report Information

A. Preparation Basis

This report was prepared in accordance with the 2021 edition of the GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Reporting Initiative (GRI), the Taiwan Stock Exchange's "Guidelines for the Preparation and Submission of Sustainability Reports by Listed Companies," and other standards. Furthermore, this report also references the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD) standards. A detailed comparison table is provided in the Appendix.

B. Report Coverage and Frequency of Publication

This is the Company's first perpetual report. The reporting period for this report is consistent with the consolidated financial statements, from January 1, 2025, to December 31, 2025. To ensure completeness and comparability, some sections contain information outside this reporting period, which will be explained in the notes to those sections.

The Company publishes the perpetual report in August of each year and posts it on its website.

C. Scope of the Report

This report covers Khgears Group's parent company and all its subsidiaries and branches, consistent with the entities covered in the Company's consolidated financial statements. A detailed list of these entities is provided in the Company's public financial information.

D. Information Revision

There were no instances of information being re-edited this year.

E. Data Quality and External Assurance/Guarantee

The statistical data disclosed in this report are derived from self-collection and survey results. However, the relevant financial data is publicly available information certified by a certified public accountant and presented using commonly used numerical descriptions. This report complies with the GRI Standards (2021) and the disclosure of information in accordance with the "Code of Practice for Sustainability Development of Listed and OTC Companies" and other legal and regulatory requirements. This report has not been verified by an independent third-party auditing organization.

F. Contact Information

If you have any questions, instructions, or suggestions regarding this report, please contact us through the following channels:

Contact Person: George Chang, CFO and Head of Corporate Governance

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Email: ir@khgears.com

Address: 4F-3, No. 106, Section 3, Xinyi Road, Da'an District, Taipei City

Chapter II Sustainable Operation

1. Sustainable Development Results and Performance in 2025

Environmental aspects
Energy intensity in 2025 has increased by 1.52% compared to last year.
Water intensity in 2025 has decreased by 27.91% compared to last year。
Waste density in 2025 has decreased by 13.61% compared to last year.
Khgears was not fined for violating environmental laws and regulations in 2025
Social aspects
Khgears did not engage in any incidents of child labor, forced labor, discrimination, or sexual harassment in 2025.
Khgears had no violations of product and service safety information labeling, nor any violations of marketing regulations in 2025.
Khgears participated in community in-kind and cash donations of approximately RMB 24,800 in 2025
Corporate Governance aspects
The company's operating revenue in 2025 was NT$3.065 billion, a 0.10% increase from the previous year.
The Company has one female director in 2025, bringing the female director ratio to 14.29%.
There was no corruption incident in the Company in 2025.

2. Sustainable Development Strategy

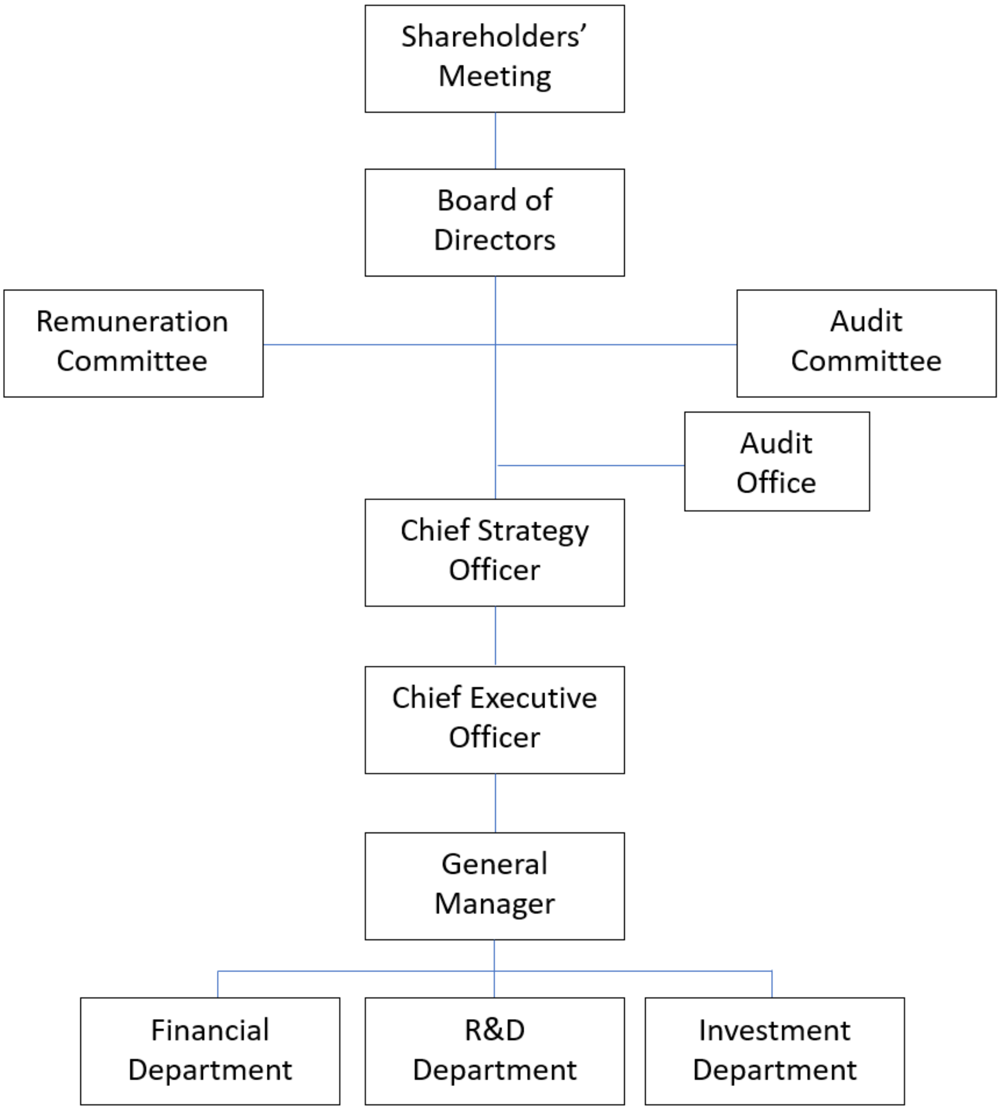
Khgears has established a "Sustainable Development Code of Practice" as the company's guiding principle for promoting sustainable development. The company will actively implement sustainable development in its operations, aligning with international trends that balance environmental, social, and corporate governance developments. Through its commitment to corporate citizenship, the company aims to enhance its national economic contribution, improve the quality of life for its employees, the community, and society, and foster a competitive advantage rooted in sustainable development.

The Company's key sustainability strategies are:

- Environmental Protection: Focusing on reducing carbon emissions, using renewable energy, and promoting a circular economy.
- Social Responsibility: Enhancing employee care and social concern, including occupational safety, training and development, and community engagement.
- Corporate Governance: Strengthening internal audit and control systems, and ensuring transparency of financial information.
- Technological Innovation: Emphasizing technological innovation to achieve sustainable development, including continuous improvement of production processes and the development of green and environmentally friendly products.

3. Mechanisms to promote sustainable development

A. Governance framework for sustainable development



Department	Duties and responsibilities
Board of Directors	Implement the resolutions of the shareholders' meeting, and determine the company's business plan and investment plan within the scope of the shareholders' meeting authorization.
Remuneration Committee	1.Formulate and regularly review the policies, systems, standards, and structure of performance evaluation and compensation of directors and managers. 2.Regularly evaluate and determine the content and amount of the salary and remuneration of directors and managers and make recommendations to the board of directors.
Audit Committee	Represented the board of directors in overseeing the company's financial reporting process and internal controls to ensure the credibility of financial reports and compliance with all company activities
Audit Office	1.Research, planning and implementation of internal control and audit system.

Department	Duties and responsibilities
	2.Rectify, track and correct internal control deficiencies.
Chief Strategy Officer	1.Planning the medium and long-term operation and development strategies of the company and its subsidiaries. 2.Supervise the implementation of the established strategies of the company and its subsidiaries, and evaluate their effectiveness. 3.Develop the research and development of innovative technologies and processes, the development direction of new products, and market positioning.
Chief Executive Officer	1.Assist the chairman to formulate the group's operating policies and strategies, plan operating goals and supervise the evaluation of the group's investment projects. 2.Planning and assistance in execution of Board of directors, shareholders' meeting and stock affairs-related matters. 3.In charge of supervision and investment department, responsible for business sales and market development matters around the world.
President	1. Preside over the company's daily operations and management. 2.Advocate the company's corporate culture and business philosophy, and shape corporate image. 3.Implement company management policy and improve company management system.
Financial Department	1.In charge of supervising the finance and accounting department, responsible for financial accounting, fund scheduling, budget control and other matters. 2.Implementation of the board of directors, shareholders' meeting and share-related matters。
R&D Department	New product development and product, equipment, technology introduction, docking, transfer, innovation, and related technical support.
Investment Department	Evaluation and management of overseas subsidiaries and reinvestment companies.

The Company's Board of Directors, chaired by the Chairman, is the company's highest governance body and is responsible for leading the Board in implementing and overseeing the Company's overall operational strategy and major decisions. The Board consists of an Audit Committee and a Compensation Committee. The Audit Committee is responsible for financial reporting, internal controls, and audit-related matters, while the Compensation Committee is responsible for the compensation policies and programs for Directors and senior management.

B. Operational Status

The Company's sustainability efforts are led by the General Manager's Office and the management departments of each subsidiary. The General Manager and the Head of Corporate Governance report annually to the Board of Directors on the progress of sustainability efforts. The Board of Directors listens to the management team's reports and provides advice and guidance as appropriate. The Company's sustainability-related work reported to the Board of Directors in 2025 is as follows:

Date	Matter
2025/3/5	Report to the Board of Directors: (1) Progress of greenhouse gas inventory work in the first quarter of 2025 (2) 2024 Board of Directors and Functional Committees Performance Evaluation Report (3) 2024 integrity management policy and plan to prevent dishonest behavior and its implementation (4) 2024 stakeholder communication status (5) 2024 risk management implementation status
2025/3/10	Report to the board of directors on the "External Performance Evaluation Report of the Board of Directors" commissioned by the Taiwan Corporate Governance Association.
2025/5/13	Progress of greenhouse gas inventory work in the second quarter of 2025
2025/8/29	Progress of greenhouse gas inventory work in the third quarter of 2025 The Board of Directors has approved: (1) Setting the Group's greenhouse gas reduction targets. (2) The Company's 2024 Sustainable Report.
2025/11/14	Report to the Board of Directors: (1) Progress of the greenhouse gas inventory in the fourth quarter of 2025 (2) The Company's 2025 Enterprise Value Enhancement Plan

In 2025, the Company did not experience any major events that required response and communication with the Board of Directors (including internal complaints, external reports, and disclosure of relevant material information involving stakeholders). The Board of Directors of the Company will continue to focus on sustainability issues.

4. Board of Directors and Functional Committees

A. The role and achievements of the board of directors in sustainable governance

(A)Roles and supervision of sustainable governance

The Company's Board of Directors is responsible for guiding long-term business strategies and exercising oversight responsibilities. Each year, the General Manager's Office and the Head of Corporate Governance oversee a major issue assessment. They distribute a major issue questionnaire to senior management and stakeholders, investigating the impact of various ESG issues on the economy, the environment, and society. They analyze the major issues identified for the year and present them to the Board of Directors. The General Manager's Office and the Head of Corporate Governance are responsible for formulating sustainability project policies, risk assessments, and response strategies. The Head of Corporate Governance then compiles this information and presents it to the Board of Directors.

The information and data in this report were provided by the relevant departments and subsidiaries, compiled and edited by the General Manager's Office and the Head of Corporate Governance, reviewed and revised by the Head of Corporate Governance, and then submitted to the General Manager and the Board of Directors for review and approval before publication in accordance with internal operating procedures.

(B)Performance evaluation of sustainable management supervisory organizations

To implement corporate governance and enhance the functions of the Board of Directors, the Company has established performance targets to strengthen the Board's operational efficiency. In the first quarter of each year, the Company conducts self-evaluations of the Board of Directors and functional committees (including the Audit Committee and the Compensation Committee) for the previous year, as well as individual performance evaluations of Directors. These evaluations cover aspects such as sustainability attitude, professional competence, awareness of responsibilities, involvement in corporate operations, internal controls, and continuous learning. The 2025 self-evaluations of the Board of Directors and functional committees were both rated "Excellent," and these were reported to the Board of Directors.

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation methods	Evaluation content
Executed every year.	Evaluate the performance of the board of directors for the period from January 1, 2025 to December 31, 2025.	Covers the evaluation of the board as a whole , individual directors, the audit committee and the remuneration committee.	Internal evaluation of the board, self-evaluation by individual board members.	(1) Evaluation of the board as a whole: Participation in the operation of the Company, quality of the board of directors' decision making, position and structure of the board of directors, election and continuing education of the directors; internal control, etc. (2) Board members' performance evaluation: alignment of the goals and missions of the Company, awareness of the duties of a director, participation in the operation of the Company, management of internal relationship and communication, the director's professionalism and continuing education, internal control, etc. (3) Audit committee and the remuneration committee's performance evaluation: Participation in the operation of the Company, awareness of the duties of the committee, quality of the committee's decision making, position and appointment of the committee, internal control, etc.

In addition, the Company commissions an external professional organization to conduct a Board of Directors performance evaluation every three years. The most recent evaluation was commissioned to the Taiwan Corporate Governance Association (TCGA), which conducted the Board performance evaluation for the year 2025, covering the assessment period from January 1 to December 31, 2024.The TCGA assigned two executive committee members, one evaluation team leader, and one evaluation specialist to carry out the assessment. Aside from this engagement, the Company has no other business relationship with TCGA, and TCGA is not a related party of the Company. During the selection of evaluators for this engagement, the institution conducted an independence review and signed a Declaration of Independence and Integrity Principles.

The recommendations from the external professional institution and the Company's corresponding improvement measures are as follows:

Recommendations	Improvement measures
1.Your Company has established a "Corporate Governance" section on its official website, under which the "Ethical Corporate Management" subsection discloses whistleblowing channels, including a complaint hotline and email address. Following the previous external evaluation, the Company adjusted related procedures in accordance with the report's recommendations; however, internal regulations were not revised accordingly.Given the importance of a whistleblower mechanism being directly connected to the Board of Directors—particularly the independent directors—it is recommended that your Company integrate the existing mechanisms and strengthen the whistleblowing channels. This would enable employees, suppliers, and other stakeholders to report relevant matters directly and simultaneously to the independent directors or the Audit Committee via a consolidated mailbox or hotline. Additionally, it is advised to disclose the relevant internal regulations on the official website to further reinforce the whistleblower protection and anti-corruption framework.	Revise the Company's "Whistleblowing Policy and Procedures" and disclose the relevant regulations on the Company's website to further strengthen the whistleblower protection and anti-corruption mechanism.
2. Your Company has provided considerable assistance to newly appointed directors; however, a formal onboarding program for new directors has not yet been established. To help new directors quickly become familiar with the Company, understand its operations and development, it is recommended that the Company consider instituting a "New Director Orientation Program." This program could include designated personnel to introduce the Company's business, industry trends, regulatory requirements, directors' rights and obligations, and continuing education policies. Additionally, the program could incorporate site visits and required training courses to ensure that new directors are fully informed and well-prepared to fulfill their duties.	Establish a "New Director Orientation Program" and implement measures such as arranging site visits or briefings by heads of various business units to assist newly appointed directors in quickly gaining an understanding of the Company's operations, thereby enabling them to effectively fulfill their duties as directors.
3. Your Company has not yet established a reporting procedure for material contingent events. It is recommended that the Company formulate a clear reporting mechanism for such events and information. This mechanism should specify the types of information that must be reported, the reporting timeline, methods, and the reporting hierarchy. Doing so will ensure that all members of the Board of Directors are promptly informed of significant events,	Added an "Internal Incident Reporting Procedure" to include a reporting procedure for material contingent events, thereby ensuring that all members of the Board of Directors are promptly informed of such events.

thereby enabling them to effectively fulfill their responsibilities as directors.	

(C)Continuing Education for the Board of Directors

To promote the continuous improvement of each Director's professional knowledge and governance capabilities, the Company arranges annual training courses for Directors in accordance with the "Key Points for Implementation of Continuing Education for Directors and Supervisors." In 2025, each Director will receive at least six hours of continuing education, as detailed below:

Title	Name	Start date	End date	Course	hours
Chairman Vice Chairman Director Director Independent Director Independent Director Independent Director	Ko Kowk Hing Wu, Chin-Jung Chung, Chao-Wen Tu, Chun-Hui Chou, Tsung-Nan Huang, Sheng-Lung Chou, Huei-Yu	2025/11/13	2025/11/13	How AI can improve operational efficiency and service quality: Case studies of AI transformation	3
Chairman Vice Chairman Director Director Independent Director Independent Director Independent Director	Ko Kowk Hing Wu, Chin-Jung Chung, Chao-Wen Tu, Chun-Hui Chou, Tsung-Nan Huang, Sheng-Lung Chou, Huei-Yu	2025/11/13	2025/11/13	Responsibilities and Obligations of Enterprises and Directors/Supervisors as Seen from the Securities Exchange Law	3

B. Board structure and operation

(A)Board Membership and Diversity

The Company has explicitly stipulated in the "Corporate Governance Best Practice Principles" and the "Rules for Election of Directors" that the composition of the Board of Directors shall consider diversity. Taking into account the Company's operations, business model, and development needs, an appropriate diversity policy shall be formulated. Members of the Board shall generally possess the knowledge, skills, and expertise necessary to perform their duties. Collectively, the Board shall have the following capabilities: operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market perspective, leadership, and decision-making abilities.

The Company's 2024 board election adopted a candidate nomination system to elect members of its fourth board of directors, consisting of seven directors. Three of these directors are independent, representing 43% of the total. Three directors also serve as company managers, representing no more than half of the total board seats. None of the seven directors are related by marriage or kinship within the second degree of kinship, ensuring that the Company's board of directors maintains a strong level of independence.

Regarding the diversification goals for the composition of the Board of Directors, the target is to have at least two individuals for each skill set. The company also emphasizes gender equality in the composition of the Board, with the goal of having at least one-third of the board seats occupied by directors of either gender.

All directors of the company have many years of industry experience in either manufacturing or finance, with professional expertise in management, marketing, manufacturing, finance, and accounting. Among the directors, 4 are under the age of 60, accounting for 57%, 2 are between the ages of 61 and 70, accounting for 29%, and 1 is over the age of 71, accounting for 14%. Of the 7 board seats, 6 are held by male directors and 1 by a female director. The specific implementation for 2025 is as follows:

Objectives	Achievement
Adequate diversity in professional knowledge and skills	Achieved
At least one-third of the board seats occupied by directors of either gender	Not Achieved

Name	Gender	Age (years)			Employee of our company	Professional Background	Possesses work experience in the GICS industrial sector (Note)
		Below 60	61~70	71 or more			
Ko Kowk Hing	Male			✓		Business management, marketing, and finance	✓
Wu, Chin-Jung	Male	✓			✓	Business management, marketing, and manufacturing	✓
Chung, Chao-Wen	Male	✓			✓	Business management, marketing, and finance	✓
Tu, Chun-Hui	Male		✓		✓	Business management, marketing, finance, and accounting	✓
Chou, Tsung-Nan	Male		✓			Business management, marketing, and finance	✓
Huang, Sheng-Lung	Male	✓				Business management, marketing, financial services, and finance	
Chou, Huei-Yu	Female	✓				Business management, marketing, finance, and accounting	✓

Note: The industry categories are classified according to the first-level industry sectors of the Global Industry Classification Standard (GICS).

Name	Core Competencies							
	Operating judgment	Accounting and Financial Analysis	Operation Management	Crisis Processing	Industry Knowledge	International Market View	Leadership Capabilities	Decision-making Capabilities
Ko Kowk Hing	✓	✓	✓	✓	✓	✓	✓	✓
Wu, Chin-Jung	✓		✓	✓	✓	✓	✓	✓
Chung, Chao-Wen	✓		✓	✓	✓	✓	✓	✓
Tu, Chun-Hui	✓	✓	✓	✓	✓		✓	✓
Chou, Tsung-Nan	✓	✓	✓					✓
Huang, Sheng-Lung		✓	✓			✓	✓	
Chou, Huei-Yu	✓	✓	✓	✓	✓			

Name	Core Competencies							
	Operating judgment	Accounting and Financial Analysis	Operation Management	Crisis Processing	Industry Knowledge	International Market View	Leadership Capabilities	Decision-making Capabilities
Target Seats	2	2	2	2	2	2	2	2
Seats achieved	6	5	7	5	5	4	5	5
Compliance rate	100%	100%	100%	100%	100%	100%	100%	100%

(B)Operation of the Board

To implement corporate governance and enhance the Board's functions, the Company is committed to establishing performance targets to strengthen the Board's operational effectiveness. The Company actively strengthens the Board's functions through Board performance evaluations, a diverse Board structure, and the appointment of a Director of Corporate Governance. To enable Directors to fully perform their duties, the Company has secured liability insurance for Directors to ensure their responsibilities are rationalized and maximize shareholder value. Furthermore, to ensure the independence of the Board's oversight, all relevant Directors recuse themselves from participating in discussions and voting on resolutions in which they have a vested interest, and do not vote on behalf of other Directors. In 2024, the Company revised its "Director and Manager Remuneration Policy," "Inter-Affiliated Financial Operations Management Policy," "Insider Trading Prevention Policy," "Sustainability Information Management Policy," "Procedures for the Preparation and Verification of Sustainability Reports," and "Internal Audit Management Policy" to further enhance corporate governance performance.

The Company held 7 Board of Directors meetings in 2025, with an actual attendance rate of 100%. The attendance of each Director is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Chairman	KWOK HING GLOBAL LIMITED Representative: Ko Kowk Hing	7	0	100	-
Vice Chairman	Wu, Chin-Jung	7	0	100	-
Director	Chung, Chao-Wen	7	0	100	-
Director	Tu, Chun-Hui	7	0	100	-
Independent director	Chou, Tsung-Nan	7	0	83	-
Independent director	Huang, Sheng-Lung	7	0	100	-
Independent director	Chou, Huei-Yu	7	0	100%	-

(C)Director nomination and selection

The Company's director elections adopt a candidate nomination system in accordance with Article 66 of the Company's Articles of Association and the "Regulations Governing the Appointment of Independent Directors of Publicly Listed Companies and Regulations Governing the Compliance of Independent Directors." Shareholders select directors from a list of candidate directors. The Company considers the education and experience of the nominees for director, and the education and experience, commitments, declarations, and other relevant supporting documents of the nominees for independent director, and considers the nominees' diversity, independence, industry experience, and management capabilities. After review by the Board of Directors, the list of candidates will be submitted to the shareholders for election. Furthermore, in accordance with the Company's Articles of Association and Article 192-1 of the Company Act, shareholders holding 1% or more of the Company's total issued shares may submit a written list of candidate directors to the Company.

(D) Conflict of interest

If a director of the Company has an interest in a meeting item, either for himself or for a legal entity he represents, he shall explain the material details of his interest at the Board of Directors meeting. If there is a risk that the matter may be detrimental to the interests of the Company, he shall not participate in discussions or votes, and shall recuse himself from such discussions and votes, and shall not exercise voting rights on behalf of other directors. The following are the implementation circumstances of the Company's directors' recusation of resolutions concerning their interests in 2024:

a. KHGEARS discussed year-end bonuses for directors and group managers on the board meeting on January 13, 2025. The Chairman Ko Kowk Hing, Vice Chairman Wu, Chin-Jung , Director Chung, Chao-Wen and Tu, Chun-Hui recused themselves when matters related to them are being discussed and decided. The motion was approved by the remaining attending directors.
b. KHGEARS discussed Group Managers' Salary Adjustment Plan for 2025 on the board meeting on January 13, 2025. Vice Chairman Wu, Chin-Jung, Director Chung, Chao-Wen and Tu, Chun-Hui recused themselves when matters related to them are being discussed and decided. The motion was approved by the remaining attending directors.
c. KHGEARS discussed director's remuneration for 2024 on the board meeting on March 10, 2025. The Chairman Ko Kowk Hing, Vice Chairman Wu, Chin-Jung , Director Chung, Chao-Wen and Tu, Chun-Hui recused themselves when matters related to them are being discussed and decided. The motion was approved by the remaining attending directors.
d. KHGEARS discussed employees' remuneration for 2024 on the board meeting on March

10, 2025. Vice Chairman Wu, Chin-Jung, Director Chung, Chao-Wen and Tu, Chun-Hui recused themselves when matters related to them are being discussed and decided. The motion was approved by the remaining attending directors.

(E)Remuneration Policy

The Company established its Compensation Committee on May 28, 2018. Following the election of the Company's fourth board of directors on May 29, 2024, the Board of Directors appointed all independent directors to serve on the third Compensation Committee on May 29, 2024. The Company has established the "Director and Manager Compensation Guidelines" to regulate the remuneration of directors and managers. The salary structure includes a monthly fixed salary and a variable salary. The variable salary is linked to financial performance, talent development, sustainable operations, and risk indicators. Variable salaries are determined based on the achievement of these indicators and submitted to the Company's Compensation Committee for review and approval by the Board of Directors. In accordance with the company's Compensation Committee's organizational charter, the Compensation Committee meets annually to review the policies, systems, standards, and structure governing director performance evaluations and compensation. Taking into account the results of director performance evaluations (which assess topics including: understanding of the company's goals and mission, understanding of directors' responsibilities, involvement in company operations, internal relationship management and communication, directors' professional development and continuing education, and internal controls), the Committee reviews each director's level of involvement and contribution to the company's operations and makes recommendations for the Board of Directors to discuss and approve. This ensures that operating performance and future risks are fairly and reasonably linked to compensation. The 2025 performance evaluation results showed an average overall Board performance score of 4.96 out of 5.0, an average individual Director performance score of 4.96, an average Audit Committee performance score of 4.97, and an average Compensation Committee performance score of 4.97. Both the overall and individual Director performance evaluations were rated excellent. The 2025 Director remuneration was reviewed and approved by the Compensation Committee on March 12, 2026, and then submitted to the Board of Directors for discussion and approval on the same day.

The performance evaluation and remuneration of the Company's General Manager and Deputy General Manager are based on the Company's "Director and Manager Compensation Guidelines." Manager compensation consists of a monthly fixed salary and a variable salary. The variable salary is linked to financial performance, talent development, sustainability, and risk indicators, and is determined based on the achievement of these indicators. In addition to considering the aforementioned indicators, the 2025 employee compensation for the Group's managers will be determined based on an assessment of whether there were any significant ethical, internal management misconduct, or personnel fraud risk events during the year, the individual's performance appraisal results for the year, and the contribution of the work undertaken to the Company's short- and long-term development goals. The compensation will be submitted to the Company's Compensation Committee for review and approval on March 12, 2026, and will be discussed and approved by the Board of Directors on the same day.

Total compensation ratio for 2025

Item	Ratio
Ratio of highest-paid employee's total annual compensation to median of annual total compensation for other employees	26.74
Ratio of highest-paid employee's percentage increase in total annual compensation to the median percentage increase in total annual compensation for other employees	10.71

Note 1: The highest-paid individual at our company is our Chief Strategy Officer.

Note 2: Statistics are based on individuals who were employed and fully compensated throughout fiscal year 2025.

C. Functional Committee Structure and Operation

The term of office of the Company's current functional committees is from May 29, 2024 to May 28, 2027. For detailed information on individual members and the committee's operations, please refer to pages 19-22 and 29-30 of the Annual Report on Shareholders' Meetings.

(A)Audit Committee

The Company's Audit Committee, composed of all independent directors, meets at least quarterly. The Committee's objectives include overseeing the truthful presentation of the Company's financial statements, the effective implementation of the Company's internal controls, its compliance with laws and regulations, its management of existing and potential risks, and the appointment and dismissal, independence, and performance of its certifying accountants. On May 29, 2024, the Company held a re-election for the expiration of the term of its third board of directors. Two of the three original independent directors were elected to the fourth term, and a new independent director was appointed to serve on the third Audit Committee.

The Company's Audit Committee held five meetings in 2025, with attendance by independent directors as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Convener	Chou, Tsung-Nan	7	0	100	
Committee Member	Huang, Sheng-Lung	7	0	100	

Committee Member	Chou, Huei-Yu	7	0	100	

(B) Compensation Committee

The Company's Compensation Committee is responsible for assisting the Board of Directors in establishing the policies, systems, standards, and structures for the performance evaluation and compensation of Directors and Executive Officers. Through this committee, the Company regularly evaluates and reviews the performance appraisals, salaries, bonuses, and remuneration payment methods of Directors and Executive Officers, compares them with industry benchmarks, and submits its recommendations to the Board of Directors for discussion. On May 29, 2024, the Board of Directors approved the appointment of the third Compensation Committee, which will serve from May 29, 2024, to May 28, 2027. The Compensation Committee met twice in 2025, with the following attendance records:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%)【B/A】	Remarks
Convener	Chou, Tsung-Nan	3	0	100	
Committee Member	Huang, Sheng-Lung	3	0	100	
Committee Member	Chou, Huei-Yu	3	0	100	

Chapter III Stakeholders and Material topics

1. Communication with stakeholders

Drawing on industry experience and AA1000 SES:2015 (Stakeholder Engagement Standards), the Company has identified eight key stakeholders based on the five principles of dependence, responsibility, focus, influence, and diverse perspectives: customers, employees, shareholders/investors, suppliers, government/regulatory authorities, media, community, industry associations/industries, and academic institutions. Stakeholders are crucial to a company's operations and are key to its sustainability and success. Through communication with stakeholders, the Company addresses their concerns, which serve as a key reference for the formulation of its sustainability strategy. The table below summarizes Junxing's communication mechanisms with various stakeholders and the topics of concern for 2025:

Stakeholders	Topics	Communication channels and frequency	Stakeholder Communication Performance in 2025
Client	Product quality, delivery time, price, workplace safety and health, labor-management relations, and the impact and response of the Covid 19 pandemic	Business visits (monthly or quarterly), communication meetings/emails and phone calls (irregular), customer satisfaction surveys (annual)	We communicate via daily phone, email, and messaging apps, conduct periodic domestic client interviews, and conduct quarterly international exhibitions and field visits to understand client needs, gather product and market information, and provide customer service to meet client and market demands and enhance the competitiveness of our products and services. In 2025, a total of 16 customers were surveyed, covering 8 items. 15 customers scored between 88 and 100 points, 1 customer scored 81 points, and most customers scored above 85 points (out of 100).
Staff	Salary and benefits, performance appraisal and promotion system, workplace safety and health, labor rights, education and training	Employee Welfare Committee/Labor Union (annual and irregular), Employee Suggestion Box/Email/Company Announcement (irregular), Education and Training (annual)	A labor union has been established to provide gifts for the three festivals, health checkups, travel, and allowances for marriages, childbirth, and funerals. In addition to training for new employees, annual training on fire safety, labor, and production safety is organized to enhance employees' safety awareness. To strengthen employees' foreign language skills, the Zhuhai plant offers English training, while the Vietnam plant offers Chinese and Vietnamese language courses, providing opportunities for Vietnamese employees and foreign managers to learn these two languages and improve communication skills. The company has established a reasonable compensation system that links the company's annual operating conditions, the consumer price index, industry standards, and individual employee performance. This system serves as the basis for annual salary adjustments, year-end bonuses, and employee compensation. In 2025, employee compensation totaled NT$24,511 thousands. In 2025, the Group conducted a total of 261 employee education and training programs, totaling 388 hours, with 5,946 participants and a total training time of 9,436.35 hours, averaging 10.92 hours per person.
Shareholders/	Company operating conditions, dividend policy	Market Observation Post System and company website	A regular shareholders' meeting was held on May 22, 2025.

Stakeholders	Topics	Communication channels and frequency	Stakeholder Communication Performance in 2025
Investors	and distribution, future investment plans, corporate governance, major events and risk control	(monthly/quarterly/annually), shareholders' meeting/annual report (annually), participation in corporate briefings (annually), phone or email inquiries to spokespersons about company operations (occasionally)	Participate in seven investor briefing sessions each quarter in 2024. Update the company website regularly at least quarterly. Response to investor questions via phone and email, and receive visiting investors at our Taipei office.
Suppliers	Quality, delivery time and price, fair competition, credit status, supply chain management	Communication meetings/email and phone calls (irregular), supplier assessment (annual)	We communicate daily via phone, email, and messaging apps, continuously tracking delivery status and quality improvements. We sign intellectual property procurement framework agreements, integrity commitments, and environmental commitments with suppliers. The company has established "Qualified Supplier Management Regulations," which cover nine key areas of supplier audits, including "Social, Environmental Responsibility, and Hazardous Substance Control," which includes 26 assessment indicators. In 2025, in addition to written assessments of supplier performance, audits were completed for 13 suppliers, of which 1 was qualified and 12 were conditionally qualified.
Government/ competent authority	Legal compliance, labor-management relations, environmental protection, corporate governance, major events and risk control	Official documents (irregular), regular reporting forms (monthly/quarterly/annually), interaction with competent authorities (irregular), cooperation with competent authorities in carrying out various compliance inspections (irregular)	Cooperate with the competent authority in irregular legal publicity activities. Cooperate with the competent authority in responding to irregular questionnaires.
Media	Company operating conditions and major events	Market Observation Post System and company website (monthly/quarterly/annually), shareholders' meeting/annual report (annually), participation in corporate briefings (annually), phone or email inquiries to	Participate in seven quarterly investor briefings in 2025. Provide monthly and quarterly company revenue and profit information to media reporters. Communicate with media reporters via phone and email.

Stakeholders	Topics	Communication channels and frequency	Stakeholder Communication Performance in 2025
		spokespersons about company operations (occasionally)	
Community	Environmental protection, employment opportunities, and public welfare activities	Actively visit/sponsor community charity events (irregularly)	In 2025, the Zhuhai factory participated in 7 donation activities in the community where the factory is located (Ganwu Town, Doumen District, Zhuhai City), and donated a total of approximately RMB 24,800 in cash and materials.
Industry associations/ industry and academic institutions	Product development and technical discussion, talent cultivation	Industry-university collaboration (annually), participation in guild and association activities (occasionally)	We have established an industry-university collaboration with National Formosa University, with six students participating in related programs in 2025. The Zhuhai plant is a member of the China Sewing Machine Industry Association, the Guangdong Manufacturing Association, the Guangdong Robotics Association, and the Zhuhai Intelligent Manufacturing Federation. The Vietnam plant is a member of the Taiwan Chamber of Commerce in Ba Ria-Vung Tau Province.

2. Process for Determining Material topics

The Company refers to the four principles of AA1000 Accountability: Materiality, Inclusiveness, Responsiveness, and Impact, and follows GRI 3: Material Topics 2021 to further assess the significance of the impact of material topics in areas such as the economy, environment, and human rights. The implementation steps are as follows:

A. Understand the organizational context

The company considers key operational aspects, key operational resources, key points for sustainable operations, and every aspect of the supply and value chain. We also monitor international sustainability trends and industry concerns from international investment rating agencies. Ultimately, we compiled a list of 18 sustainability topics, encompassing seven governance/economic aspects, five environmental aspects, and six social aspects.

B. Identifying shocks and assessing their significance

Based on the list of sustainability issues identified in the previous step, the Company further assesses the actual and potential positive and negative impacts of each sustainability issue.

(A) Actual or potential positive impacts may occur when a company has a relevant management policy for the sustainability issue and implements it, resulting in good or significant performance. These impacts are the positive economic, environmental, and social impacts of sustainable development.

(B) Actual or potential negative impacts may occur when a company fails to implement or effectively manages the sustainability issue, resulting in negative impacts on the external economy, environment, and society caused by the company's overall operations.

C. Prioritize impact

The company sent a questionnaire to stakeholders and collected data to understand their level of concern regarding 18 sustainability issues. Company executives then assessed the likelihood and extent of the positive and negative impacts of each of the 18 sustainability issues on the company's operations, the overall economy, the environment, and human rights.

Positive impact assessment results

Sustainability issues	Likelihood of occurrence	Impact degree	Average score
Corporate Governance and Risk Management	4.00	3.41	3.71
Financial Performance	4.06	3.65	3.85
Integrity management and compliance with regulations	4.18	3.18	3.68
Innovation and R&D	3.35	3.35	3.35
Customer Relationship and Management	3.47	3.29	3.38
Information Security Management	3.88	3.41	3.65

Supply chain management	2.47	2.47	2.47
Climate change response	3.41	2.82	3.12
Energy and Greenhouse Gas Management	3.53	3.18	3.35
Water Resource Management	2.94	2.59	2.76
Waste Management	3.35	2.47	2.91
Sustainable products	3.29	3.00	3.15
Employee attraction and retention	3.65	3.35	3.50
Employee Diversity and Inclusion	3.65	3.00	3.32
Staff training and development	3.41	3.65	3.53
Occupational Health and Safety	3.59	3.18	3.38
Employee Rights and Human Rights	3.00	2.71	2.85
ommunity Investment and Engagement	3.00	2.41	2.71

<u>Negative impact assessment results</u>

Sustainability issues	Likelihood of occurrence	Impact degree	Average score
Corporate Governance and Risk Management	1.24	2.59	1.91
Financial Performance	1.47	2.71	2.09
Integrity management and compliance with regulations	1.35	2.82	2.09
Innovation and R&D	2.29	2.59	2.44
Customer Relationship and Management	2.59	3.29	2.94
Information Security Management	1.65	3.00	2.32
Supply chain management	2.06	2.94	2.50
Climate change response	1.35	2.06	1.71
Energy and Greenhouse Gas Management	2.47	3.00	2.74
Water Resource Management	1.59	2.88	2.24
Waste Management	1.59	2.71	2.15
Sustainable products	1.88	2.41	2.15
Employee attraction and retention	2.24	3.06	2.65
Employee Diversity and Inclusion	1.88	2.65	2.26
Staff training and development	1.82	3.06	2.44

Occupational Health and Safety	1.47	2.71	2.09
Employee Rights and Human Rights	1.35	2.82	2.09
ommunity Investment and Engagement	1.88	1.94	1.91

D. Identify material topics

Based on a comprehensive analysis process, the company has summarized the impact of sustainability issues and the level of stakeholder attention, identifying six key themes. These include: customer relations and management, and information security compliance from the governance/economic perspective; energy and greenhouse gas management from the environmental perspective; and talent attraction and retention, employee training and development, occupational health and safety from the social perspective. The company will formulate corresponding policies and goals for these key themes and plan action plans.

3. List of Material topics

The Company has summarized the significance of the impact of sustainability issues and the level of stakeholder attention. Based on the principle of double materiality, we have selected six significant themes from the 18 sustainability issues, as shown in the table below. Compared to the previous year, occupational health and safety is a new major theme this year, while corporate governance and risk management have been reclassified as secondary issues because the identification score did not meet the significant standard this year, reflecting the dynamic adjustment of corporate resource allocation and risk control..

Sustainability Issues Classification	Material topics	Corresponding chapters of the report
Corporate Governance aspects	Customer Relationship and Management	Chapter IV 1 Material topics Chapter III 1 Communication with stakeholders
Corporate Governance aspects	Information Security Management	Chapter IV 1 Material topics Chapter IV 5 Information Security Management
Environmental aspects	Energy and Greenhouse Gas Management	Chapter VI 1 Material topics Chapter VI 4 Greenhouse Gas Management Chapter VI 5 Energy Management
Social aspects	Employee attraction and retention	Chapter V 1 Material topics Chapter V 2 Human Resources Development
Social aspects	Staff training and development	Chapter V 1 Material topics Chapter V 2 Human Resources Development
Social aspects	Occupational Health and Safety	Chapter V 1 Material topics Chapter V 3 Occupational Health and Safety

Chapter IV Corporate Governance aspects

1. Material topics

A. Customer Relationship and Management

Impact Description	Positive impact: Improved product safety strengthens customer trust in the company, thereby boosting long-term product sales. Negative impact: Poor product quality leads to a loss of customer trust, reduced orders, and decreased revenue.
Policy or commitment	Khgears adheres to the business philosophy of "integrity, professionalism, innovation, and satisfying customer needs." Based on its niche offerings of high quality, short delivery times, and competitive pricing, it carefully selects customers and orders, aiming to penetrate the supply chains of mid-to-high-end product lines of major international brands in various industries. This avoids exclusive price competition, enabling it to achieve better profits and invest more resources in the technology, equipment, and talent necessary for the company's future development. This strengthens the company's competitiveness, providing customers with better products and services, and fostering positive development that is mutually beneficial for both the Group and its customers.
Management Actions	(1) Develop a comprehensive customer complaint management process to improve customer satisfaction with product quality, design and development, delivery time, and after-sales service. (2) Conduct annual customer satisfaction surveys and use the survey results as a basis for operational management improvements.
Effective tracking process	At the end of each year, the business department sends a "Customer Satisfaction Survey Form" to customers and compiles the responses into a "Customer Satisfaction Survey Summary Form." This summary form is submitted to superiors for review and improvement.
Goal	Short-term goals: Reduce the number of customer complaints and improve handling efficiency. We will continuously conduct customer satisfaction surveys to identify potential customer needs, seek more opportunities to serve customers, and continuously improve customer satisfaction. Medium- to long-term goals: Increase market share and become a long-term strategic partner of global automation equipment manufacturers.

B. Information Security Management

Impact Description	Positive Impact: Company data and investor/customer information are fully protected, enhancing the trust of external stakeholders.

	Negative Impact: Company data and investor/customer information may be stolen, resulting in the loss of sensitive information and potential claims.
Policy or commitment	(1) Comply with regulatory requirements, continuously strengthen employee awareness of information security, protect business activity information, control network behavior, prevent unauthorized access and modification, and ensure its accuracy and integrity. (2) Regularly conduct internal and external audits and technical reviews to ensure that relevant operations are effectively implemented.
Management Actions	Promote relevant information security concepts and arrange regular education and training for employees.
Effective tracking process	The Information Department is responsible for confirming the achievement of these goals each year, and the Audit Office conducts internal audits and external audits of the internal control system by certified public accountants.
Goal	Short-term goals: (1) Information system availability reaches over 99% (1 – (number of interruption hours) / (9 hours * 5 days * 52 weeks)); (2) Zero major information security incidents (Level 3 and 4 information security incidents). Medium- to long-term goals: (1) Two factories obtain ISO 27001 certification; (2) Zero moderate and major information security incidents (Level 2, 3, and 4 information security incidents).

2. Economic Performance

The Company's consolidated revenue for 2025 was NT$3.065 billion, a 0.10% increase from 2024. Net profit after tax for the full year was NT$498 million, with earnings per share of NT$9.61. For further financial performance analysis, please refer to the Company's consolidated financial statements.

A. The company's consolidated financial performance in the last three years

Unit: NT thousands

Items	2023	2024	2025
Operating Revenue	2,348,849	3,061,903	3,064,957
Operating Gross Profit	666,397	946,477	1,004,412
Operating Expenses	386,310	463,531	472,642
Operating Income	280,087	482,946	531,770
Non-operating Income and Expenses	78,297	99,456	33,900
Net Profit Before Tax	358,384	582,402	565,670
Net Profit After Tax	273,899	476,674	497,981

B. Allocation of economic value

Unit: NT thousands

Items	2025
Operating Revenue	3,061,903
Non-operating Income and Expenses	33,900

Direct Economic Value Generated (A)	3,096,857
Operating Costs (Costs + Expenses) - (Salaries and Benefits)	1,959,137
Employee Salaries and Benefits (Employment Expenses)	574,050
Payments to Investors (Shareholder Dividends + Interest Expense)	269,195
Payments to Government (Including Taxes and Fines)	67,689
Community Investment	107
Direct Economic Value Distributed (B)	2,870,178
Retained Economic Value (A) - (B)	228,679

C. Government financial subsidies

Unit: NT thousands

Items	2025
Equipment Investment	4,840
Technology R&D	5,123
Other	3,369
Total	13,332

D. Tax Governance

The Board of Directors is the highest decision-making and oversight body for the Company's tax affairs. The Company utilizes a sound tax management framework to bear reasonable tax burdens in all major countries of operation to maintain socioeconomic stability and promote sustainable corporate development. The Company adheres to three key tax governance principles:

(A) Comply with Local Tax Regulations: We comply with local tax regulations in each location where we operate, honestly declare and pay taxes, and fulfill our responsibilities as taxpayers.

(B) Carefully Assess Tax Risks and Impacts: We carefully assess tax-related risks and impacts for major transactions and decisions, implement effective risk management through management mechanisms, promptly assess the impact on the Company, and rapidly formulate appropriate decisions.

(C) Enhance Tax Professional Competence through Regular Education and Training: We maintain abreast of the latest legal developments in various countries and strengthen the tax expertise of relevant employees through internal training and external courses and forums.

The company's tax information for the past three years

Unit: NT thousands

Items	2023	2024	2025
Net profit before tax	358,384	582,402	565,670
Income tax expense	84,485	105,728	67,689
Effective tax rate (%)	23.57%	18.15%	11.97%

Income tax paid	51,101	85,915	90,306
Cash tax rate (%)	14.26%	14.75%	15.96%

3. Integrity management

A. Integrity management philosophy, policies, and behavioral norms

Integrity management is a core value of the company. All employees are required to adhere to strict codes of conduct and ethical standards in all operations and business execution, without compromise for specific purposes. This ensures that all operations are conducted in compliance with laws and social ethics, and prevents misconduct.

The General Manager's Office oversees integrity management efforts, responsible for establishing and promoting integrity management policies and prevention systems. Annual reports on overall integrity management implementation are submitted to the Board of Directors. To uphold this core value, the company has established a "Code of Conduct" to establish a corporate culture and business philosophy of integrity management. Furthermore, the "Integrity Management Operating Procedures and Behavior Guidelines" and the "Code of Ethical Conduct" serve as guiding principles and behavioral norms for business conduct.

B. Anti-corruption Mechanism

All employees are required to sign a confidentiality agreement upon reporting. New employee training courses include an introduction to the "Integrity Management Act," and relevant regulations are posted on the company website for immediate reference. The company's "Integrity Management Operating Procedures and Behavioral Guidelines" outline the procedures for handling violations of integrity management, including rewards and penalties, complaints, and record-keeping. Supervisors can immediately report any bribery or anti-bribery violations for disciplinary action or reward.

In 2025, our company conducted training courses on "Preventing Dishonest Behavior" for department-level and section-level supervisors and general staff on November 25 and December 22 and 25, respectively. Each course lasted 1 to 2 hours and was attended by 87 people.

The Company has designated the Board Office as a dedicated unit for promoting integrity management, responsible for evaluating and verifying violations of integrity management. Major violations of integrity management will be reported to the Board immediately. The Company will also report to the Board at least annually on its integrity management policy, plan to prevent dishonest behavior, and its implementation status. The Company's General Manager reported to the Board on the 2025 integrity management policy, plan to prevent dishonest behavior, and its implementation status on March 12, 2026.

The Company encourages reporting violations of laws, regulations, or integrity ethics. The Company has established "Whistleblowing System Management Measures" that clearly define reporting channels and procedures, allowing whistleblowers to file complaints or communicate directly with dedicated Company personnel. The Company will also make every effort to protect whistleblowers' safety and prevent retaliation. In 2025, Junxing received no reports or discovered any violations of laws, regulations, or integrity ethics by employees of any Group company. Furthermore, the Company has instructed the Audit Office to include the review of dishonest behavior as a mandatory monthly audit item. No instances of dishonesty or fraud were discovered in 2025.

C. Anti-competitive behavior

In 2025, the Company is committed to maintaining a fair and competitive market environment and strictly abides by relevant anti-competition laws and policies. The Company has not engaged in any form of anti-competitive, antitrust and monopolistic behavior.

D. Communication channels and complaint mechanisms

To safeguard the Company's reputation, protect its assets, and prevent corruption, theft, embezzlement, or other unethical and dishonest behavior that harms the interests of shareholders, employees, and partners, the Company has established reporting channels and procedures in accordance with its "Code of Ethics," "Management Integrity Code," and "Management Integrity Operating Procedures and Behavioral Guidelines." This aims to optimize corporate governance and safeguard the legitimate rights and interests of whistleblowers and related parties.

The Company has established an independent, dedicated reporting channel for reporting violations of its Code of Conduct and the Management Integrity Code. This reporting process is conducted in accordance with the relevant reporting and complaint procedures for each region. The email address for reporting and complaints is as follows. The Company received a total of 0 integrity-related reports and complaints in 2025, and had 0 outstanding cases at year-end:

Report and complaint mailbox and channels		
Type	Unit in charge	Mailbox
Reporting senior executives (Note)	Audit Committee	110@khgears.com
Report fraud, corruption, bribery, and other violations of the Code of Conduct	General Manager's Office	111@khgears.com

Note: Senior executives are defined as including: Chairman, Vice Chairman, CEO and General Manager of the Group’s parent company.

4. Risk Management

A. Risk management mechanism

The Company regularly identifies, measures, and monitors risks that could impact its operations. Through risk transfer, reduction, and avoidance strategies and response measures, the Company aims to minimize potential risks and achieve its goals of enhancing operations and sustainable development.

The Company has established a "Risk Management Policy" that defines various risks in accordance with its overall operational guidelines. This policy aims to prevent potential losses within acceptable risk tolerance, thereby increasing shareholder value and optimizing resource allocation.

The company's risk management process:

Risk Identification → Risk Measurement → Risk Monitoring → Risk Reporting and Disclosure → Risk Response

The Company's risk management organizational structure and responsibilities are as follows:

Department	Responsibilities
Board of Directors	The Board of Directors is the highest decision-making body for risk management. It approves risk management policies and frameworks and oversees the effective operation of the risk management mechanism.
Audit Committee	The Audit Committee reviews the effectiveness of the company's internal control system, ensures the effective implementation of internal controls, and oversees the management of existing and potential risks in the company.
Audit Office	Formulate an annual audit plan based on risk management policies and risk assessment results, perform various job audits according to the plan, assist the Board of Directors and Audit Committee in supervising and controlling potential risks in the implementation of decisions, ensure that all operational risks are effectively managed, and provide improvement suggestions in a timely manner.
General Manager's Office	1. Responsible for organizing and planning the company's overall risk management. 2. Assess operational risk and implement response strategies. 3. Assess the company's legal risks and implement response strategies. 4. Manage media relations and external liaison matters.
Each functional department	Department-level and unit heads are responsible for frontline risk management and should conduct risk assessment and control in daily management operations, emphasize comprehensive risk control by all employees, and implement layered prevention measures on a regular basis to effectively manage risks.

The Company's 2025 Risk Assessment Results and Response Measures

Risk Type	Risk issue	Risk assessment (Note)			Risk management policies or response measures
		Probability	Materiality	Sum	
Market risk	New customer acquisition, new project development, new field development, and hardware and software applications	2	5	7	1. Actively develop new customers, new projects, and new fields. 2. Make good use of advanced software and hardware tools to diversify customer base.
	Finished goods inventory is stagnant	3	4	7	1. Implement frequent communication with customers to update their requirements. 2. Improve and shorten order, production, and procurement lead times.
Legal risk	Regulatory changes	2	3	5	Consult professional institutions such as law firms, accounting firms, securities firms, banks, etc. to understand the potential impact of regulatory changes and the company's response measures.
Credit risk	Customers unable to pay	1	4	5	1. All new customer transactions are conducted on a payment-on-delivery basis. Dedicated personnel are responsible for determining credit limits and other monitoring procedures to ensure that overdue receivables are collected or appropriate action is taken. 2. We conduct annual credit checks on our customers and adjust transaction terms for customers with increased financial risk to prevent losses to the Company from defaulting on payments. 3. We assess the likelihood of collecting customer receivables monthly to ensure that appropriate impairment losses are recorded for uncollectible receivables.
	Supplier supply interruption	2	4	6	1. Establish a safety stock level based on usage, production, and procurement cycles to achieve the optimal balance between meeting production needs and avoiding excess inventory.

Risk Type	Risk issue	Risk assessment (Note)			Risk management policies or response measures
		Probability	Materiality	Sum	
					2. Develop two or more suppliers to avoid monopoly by a few. 3. Conduct annual supplier evaluations to assess production capacity, production processes, quality stability, pricing and cost, delivery status, environmental management, and occupational safety and health. Suppliers with poor performance will be required to improve, and those that consistently fail to improve will be eliminated.
Hazard risk	Labor safety	1	2	3	1. Develop a safety management system in accordance with industry safety standards and provide protective equipment such as masks and earplugs to employees performing specialized tasks. 2. Conduct regular employee health checks to ensure their physical and mental well-being. 3. New employees receive safety and hygiene training, and operators of specialized equipment must receive specialized training and obtain the necessary certifications. 4. Conduct regular annual labor safety education, fire training, and drills. Through ongoing education and training, as well as daily outreach, we strengthen employees' awareness of safety and their ability to respond to emergencies.
	Equipment operation interruption	1	4	5	Standard operating procedures are established for the maintenance of production equipment, requiring dedicated personnel to implement regular maintenance and inspections to reduce the possibility of equipment failure.
Information security risks	Issues related to the regulation of AI tool use	2	4	6	1. Establish an AI tool security assessment system. 2. Train IT personnel on the use and management of AI tools.
	Information security	3	4	7	1. Establish a cybersecurity organizational structure. 2. Review and implement cybersecurity management measures.

Risk Type	Risk issue	Risk assessment (Note)			Risk management policies or response measures
		Probability	Materiality	Sum	
	management omissions				
Operational risks	The operation of the new factory in Vietnam/Taichung is not as expected	2	4	6	1. Implement effective training (supported by the Zhuhai plant, taking into account the cultural and behavioral differences of local employees). 2. Empower and empower experienced managers to manage and manage complex situations. 3. Improve product development processes to increase the speed and efficiency of new product development. 4. Strengthen prospecting and actively secure production orders.
	Insufficient production management planning	2	5	7	1. Promote lead time improvement projects. 2. Plan to reduce batch sizes.
	Production quality issues	3	4	7	1. Improve quality costs (implement quality cost KPI control). 2. Research and implement feasible and effective Total Quality Management (TQM) systems.
Other risks	Training of mid-to-senior level executives	2	5	7	1. Implement a successor training program 2. Establish a talent retention system
	Climate change	3	3	6	1. The company has installed pollution control equipment to ensure compliance with regulatory emission standards, thereby reducing its impact on climate change and the environment. 2. The company has set energy conservation and carbon reduction targets to mitigate the impact of resource consumption on the climate. 3. The company conducts various disaster prevention drills regularly each year.

Risk Type	Risk issue	Risk assessment (Note)			Risk management policies or response measures
		Probability	Materiality	Sum	
					4. The company maintains property insurance to mitigate the impact of unexpected events on its operations and profits.
	Geopolitics/Tariff and Non-Tariff Barriers	5	4	9	1. In response to customer requirements, we will establish operations and production bases in various countries to enhance operational flexibility and resilience and mitigate potential risks. 2. We will diversify our assets to avoid the risks associated with excessive asset concentration. 3. All external statements will be made by our spokesperson, who will refrain from making any political comments to avoid potential controversy.

Note: Occurrence probability/materiality: 1-Very low, 2-Low, 3-Normal, 4-High, 5-Very high

B. Regulatory Compliance

Compliance is fundamental to corporate governance. All subsidiaries and branches of the Group, as well as their employees, are required to comply with the laws and regulations relevant to their respective businesses. The Company has established relevant management regulations, operating procedures, and standards, conducts regular regulatory audits, and closely monitors the development and development of regulations that may impact the Company. Upon receiving information on major regulatory changes, each department provides feedback to the General Manager's Office for relevant system revisions.

Thanks to the dedicated efforts of all employees, the Company was free of significant environmental, social, and economic penalties in 2025. Furthermore, the Company was not subject to legal proceedings or fines related to violations of customer privacy, anti-competitive practices, antitrust violations, or unfair trade practices. Significant penalties are defined as those resulting in penalties exceeding NT$1 million.

5. Information Security

The company attaches great importance to information security management and has established an information department responsible for preventing computer viruses, network attacks, data leaks, legal compliance and risk control. The department is responsible for planning and implementing information security management tasks, including: company network and email security control, information system rights control, information security promotion to enhance employee information security awareness, and improvement of information-related technologies and operating procedures to ensure the company's information security and protection.

A. The company's information security policy

(A) Information Security Inspection Control

Prevents corporate information systems from being invaded by external information viruses or hackers, which could disrupt normal operations or damage company interests.

(B) System Recovery Plan and Test Procedure Control

Ensures that if the corporate information system suffers force majeure or other human damage, normal business operations can be restored as quickly as possible.

(C) File and Equipment Security Control

Prevents computer viruses from invading files and data, maintaining the security of files and various computer equipment.

(D) Program and Data Access Control

Establishes user access permissions and scope for system programs and data, preventing improper access to system utility programs, tools, and commands.

B. The company's specific information security management plan is as follows

(A) Control of information security inspection

a. The company's email servers are equipped with firewalls and anti-virus software to block external intrusions.

b. Regularly check the log files of the firewall and report abnormal situations to the responsible person for handling.

c. The information department regularly checks the sending and receiving of emails on

the server, and reports abnormal situations to the responsible person for handling.
d. The information department uses equipment to control online behavior and check network status to prevent unauthorized access.
e. Regularly review and evaluate possible security vulnerabilities of the Internet to take protective measures.
f. Computer network and information security policy promotion is regularly announced to employees.
g. Comply with software licensing regulations and prohibit the use of unauthorized software.
h. Set up two-way authentication access for the processing of sensitive and confidential information.

(B) System recovery plan and test program control
a. Develop system recovery measures every year and revise them regularly.
b. The system performs incremental backups every day, complete backups every week, and implements off-site backups, and designates dedicated personnel for safekeeping.
c. The computer system and its design must be approved by the responsible person in charge, and appropriate preventive measures must be included to reduce the chance of improper damage.

(C) Security control of files and equipment
a. Perform file backups in daily operations in accordance with the regulations on file and equipment security control (incremental backups every day, full backups every week, and off-site backups).
b. Regular inspection, repair and maintenance of various computer equipment and peripheral equipment, fire-fighting equipment, and support equipment.
c. When abnormal conditions occur in the system, the reasons should be understood, improved and recorded.
d. Really control the entry and exit of computer room personnel, and register the records and matters of non-IT personnel entering the computer room.
e. Regularly update the version of virus detection software and scan computer hard drives regularly.
f. Manage and register important information and computer hardware equipment.
g. When personnel from each department resign, they will be handed over to the information department in strict accordance with the personnel handover procedures, and the relevant accounts will be deactivated.

(D)Program and data access control
a. Access and use of program files should be controlled according to account permissions.
b. Important system utilities, tools and commands should restrict access and query according to their user permissions.
c. Users of general application systems do not have access to system utilities, tools, and the authority of the command.
d. All access and use of program files leave traceable records.
e. Responsible managers review relevant records regularly.
f. The password cannot be displayed on the computer screen, nor can it be printed on any report without garbled characters.

In addition, new employees are required to undergo basic training on email and information systems before being issued an account to ensure that information security concepts are integrated into daily operations.

C. Resources invested in information security management

The company's senior managers conduct annual regular reviews and updates of information security management risk assessment and management with information and other related departments, and perform security testing and information security incident drills. The audit office conducts annual audits of the internal control information operation cycle. Confirm the effectiveness of the company's internal control system and execution of information operations. The specific resources invested and implementation work are as follows:

(A) Dedicated manpower: The company has one information security supervisor and one information security personnel, who are responsible for the command and management of relevant information security operations of the entire company (including the head office and each subsidiary/branch company);

(B) Customer satisfaction: there are no major information security incidents and no complaints about breach of customer information and loss;

(C) Education and training/guarantee: All new employees are required to sign a computer usage guarantee when using computers and strictly abide by the information security policy formulated by the company; information security training courses are held regularly every quarter;

(D) Information security announcement: Information security publicity is carried out regularly every month to improve the prevention awareness of all users;

(E) Penetration testing: Perform internal and external network penetration testing at least once a year to ensure that the network defense functions of each network device are operating normally as planned and to discover unforeseen threats and risks in advance.

The Company did not receive any substantiated complaints of customer privacy violations in 2025, nor did it receive any related complaints from regulatory authorities. Furthermore, the Company continues to invest in information security, and no customer data was leaked, stolen, or lost in 2025.

6. Participation in various social organizations

The company continues to participate in business-related associations and organizations, exchanging industry knowledge, information, and practical experience with peers and professionals in order to jointly respond to changes in the international situation and elevate the industry. The list of participating associations is as follows:

Name of the association	Membership
Guangdong Robotics Association	General Member
Guangdong Automobile Industry Association	General Member
National Heat Treatment Society (China)	General Member
Zhuhai Smart Manufacturing Federation	General Member
Ganwu Town Industrial and Commercial Enterprise Promotion Association	Vice President
China Quality Association	General Member
China Sewing Machine Industry Association	General Member
Zhuhai Institute of Automation	Director
Guangdong Manufacturing Association	Director
Zhuhai Entrepreneurs Federation	Director
Zhuhai Electronic Machinery Industry Association	Director

Doumen District Import and Export Enterprises Chamber of Commerce	General Member
Ba Ria-Vung Tau Province Taiwan Chamber of Commerce (Vietnam)	General Member

7. Product Management

Khgears strictly controls all products and materials to achieve high standards of health and safety management. Specific measures include: (1) Product technology improvement: The company continuously improves product design and process technology to reduce potential risks to the environment and personnel health during the production process; (2) Supplier management: Through strict supplier selection and review, we ensure that the supplied materials meet the company's internal health and safety standards. These measures help reduce potential risks in the product life cycle. The company will continue to invest resources to enhance health and safety management and improve the safety and environmental performance of its products year by year to provide safer products to the market.

Khgears has always been committed to providing high-quality products and services and is committed to complying with and exceeding relevant domestic and international regulations and standards. In 2025, Khgears did not fail to comply with regulations related to product and service information and labeling, nor did it violate regulations related to marketing and communication that resulted in fines or warnings.

8. Supplier Management

The company primarily engages in the research, development, production, and sales of small and medium-module gears, gearboxes, and precision hardware. Our products are primarily used in power tools, garden tools, industrial sewing machines, the yacht industry, medical equipment, industrial robots, and bicycles. The raw materials and components we purchase primarily include blanks, iron powder, steel, mechanical components, and packaging materials. Production consumables include various types of cutting tools, cutting oil, chemicals, and other consumables used in production.

The company has established "Qualified Supplier Management Regulations," which cover nine key areas of supplier audits, including "Social and Environmental Responsibility, and Hazardous Substance Control," encompassing 26 assessment indicators. In 2025, in addition to written assessments of supplier performance, audits were completed for 13 suppliers, of which 1 was deemed qualified and 12 were conditionally qualified.

In 2025, the proportion of procurement expenditures from local suppliers at the Group's main production bases, Zhuhai Khgears and Vietnam Khgears, was 71.80% and 14.53%, respectively.

Chapter V Social aspects

1. Material topics

A. Employee attraction and retention

Impact Description	Positive impact: Companies offering generous rewards programs and a wide range of employee benefits and care initiatives attract outstanding talent and enhance their competitiveness. Negative impact: Companies offering salaries and benefits that fall short of industry standards fail to attract talent and may even lead to talent departures, resulting in higher turnover rates.
Policy or commitment	Provide better remuneration and employee benefits than peers, assist employees with career counseling and planning, improve employment systems, and reduce employee turnover rates.
Management Actions	(1) Through annual performance appraisals and performance interviews, the assessment results serve as the basis for promotions, salary increases, and various bonuses. (2) Collect employee complaints and respond to them through the employee feedback/care mailbox.
Effective tracking process	(1) Analyze employee turnover reasons monthly and propose improvement plans for departments with high turnover rates. (2) Review salary and bonus plans annually to ensure current compensation packages are competitive. (3) Review relevant systems and management methods annually to ensure they comply with the latest regulations and company needs.
Goal	Short-term goals: (1) Increase the retention rate to 80%. (2) Ensure that the salaries of factory operators and technicians are higher than the average salary of surrounding factories. Medium- to long-term goals: (1) Maintain a retention rate above 85%. (2) Ensure that the salaries of factory operators and technicians are at least 10% higher than the average salary of surrounding factories.

B. Staff training and development

Impact Description	Positive Impact: Improving education and training mechanisms will enhance employee competitiveness and continuously create business opportunities for the company. Negative Impact: Employee education and training are not aligned with job requirements, creating bottlenecks in talent recruitment and leading to a decline in corporate competitiveness.
Policy or commitment	(1) Continuously develop employees to ensure they are able to fully utilize their talents and be assigned the right positions. (2) Subsidize employee training expenses. (3) Provide a variety of training channels and activities.

Management Actions	(1) Establish a systematic talent development system to encourage employees to continue learning. (2) The management department proactively arranges internal and external education and training courses.
Effective tracking process	Average training hours per person per year.
Goal	Short-term goal: 10 hours of training per employee per year. Medium- to long-term goal: 20 hours of training per employee per year.

C. Occupational health and safety

Impact Description	Positive impact: No workplace injuries occur, and employees feel safe and secure in their work environment. Negative impact: Work-related injuries occur, severely damaging the company's reputation.
Policy or commitment	(1) Establish an EHS (Environment, Health, and Safety) Production Management Team to regularly review and improve various environmental safety and health matters, creating a safe and secure working environment, and obtain ISO 45001 certification by 2025. (2) Conduct occupational safety and health education and training annually, implement safety awareness campaigns on machinery use and employee work environments, and enhance employees' understanding and response capabilities regarding occupational safety and health.
Management Actions	(1) The EHS (Environment, Health, and Safety) management team continuously supervises, reminds, and guides employees to strictly abide by labor safety and health regulations, regularly organizes inspections, and promptly identifies potential safety hazards in machinery, equipment, materials, and workplaces. (2) Organizes safety-related training, including special operations training, to ensure that employees receive continuous and sufficient safety and health education and training.
Effective tracking process	The number of people suffering serious occupational injuries each year and the rate of recordable occupational injuries.
Goal	Short-term goals: (1) No major accidents or occupational injuries each year; (2) The annual recordable occupational injury rate is below 2. Medium- to long-term goals: (1) No major accidents or occupational injuries each year; (2) The annual recordable occupational injury rate is below 1.

2. Human Resources Development

A. Human Rights Policy and Commitment

Khgears adheres to the laws and regulations of each of its global locations and firmly believes that respecting human rights and fostering a dignified working environment are crucial for the company and its employees (including full-time employees, contract and temporary staff, and interns). The company supports the International Code of Human Rights, the Ten Principles of the United Nations Global Compact, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and treats all personnel with dignity and respect. Khgears's human rights policy and commitments are as follows:

(A) Prohibition of Child Labor: We strictly adhere to local minimum age employment laws and regulations in all locations where we operate and do not employ child labor.

(B) Prohibition of Forced Labor: We eliminate all forms of forced or bonded labor and ensure that no employee is subjected to forced labor.

(C) Fair and Equal Treatment: We ensure that every employee enjoys equal rights and protections, fostering a diverse and inclusive workplace. We ensure that no employee is treated unequally in hiring, promotion, salary, training, or other workplace benefits based on race, social class, language, ideology, religion, political party affiliation, nationality, place of birth, gender, sexual orientation, age, marital status, appearance, disability, blood type, zodiac sign, union membership, or political affiliation.

(D) No Inhumane Treatment: We strictly prohibit any form of harassment, physical abuse, or threats, ensuring that all employees are treated with dignity and respect.

(E) Protecting the Right to Freedom of Association and Assembly: We respect employees' freedom of association and the right to participate in peaceful assembly, fostering a fair and open working environment. 6. Smooth communication mechanisms to promote harmonious labor-management relations: We have established an employee feedback mailbox to ensure a timely channel for expressing our concerns. Subsidiaries with legally established labor unions regularly hold labor-management representative meetings to strengthen two-way communication, promote harmonious labor-management relations, and create a friendly work environment.

(F) Smooth communication mechanisms to promote harmonious labor-management relations: We have established an employee feedback mailbox to ensure a timely channel for expressing our concerns. Subsidiaries with legally established labor unions regularly hold labor-management representative meetings to strengthen two-way communication, promote harmonious labor-management relations, and create a friendly work environment.

In 2025, all employment relationships between the Company and its employees were established under written labor contracts in accordance with the law. There were no child labor, forced labor, discrimination, or sexual harassment incidents. In 2025, Junxing conducted three hours of human rights training for its employees, with 12 employees completing the training. The Company will continue to monitor human rights issues and promote related education and training to raise awareness of human rights protection and reduce the likelihood of related risks.

B. Human resource structure

(A) Employee structure

As of the end of 2025, Khgears had a total of 838 employees, including 604 employees in mainland China, 219 in Vietnam, and 15 in Taiwan. All employees were full-time, with males accounting for 60.16% and females for 39.84% of the total workforce. Female supervisors accounted for 23.81% of all management staff. The Company has not experienced significant changes in its workforce over the past two years.

Employee structure by the end of 2025

Type		mainland China	Vietnam	Taiwan	Total
Total Number	Employees	604	219	15	838
Contract Type	indefinite-term contracts	322	66	15	403
	fixed-term contracts	282	153	0	435
Employment type	full-time	604	219	15	838
	part-time	0	0	0	0

Female and age diversity indicators for the Company's employees by the end of 2025

Indicators	Number of indicators (A)	Total number of employees (B)	Percentage (A/B)
Female Employees (%)	334	838	39.86%
Female Supervisors (%)	25	105	23.81%
Female Junior Supervisors (%)	14	65	21.54%
Age: < 30	163	838	19.45%
Age: 30-50	603	838	71.96%
Age: > 50	72	838	8.59%

Employee retention rate in 2025

Items	2025
Number of employees at the beginning of the period	919
Number of new employees during the period	196
Number of employees at the end of the period	838
Employee retention rate	70.47%

Note: 1. New employees hired during this period do not include those who left before completing their probationary period.
Note: 2. Retention rate = [(Number of employees at the end of the period - Number of new employees hired during the period) / Number of employees at the beginning of the period] × 100

(B) Non-employee structure

As of the end of 2025, the company's Chinese subsidiary and its Vietnamese subsidiary employed a total of 33 non-employee workers, mainly dispatched personnel (guards, cleaners and drivers) assigned to serve the company by external dispatch companies. Overall, there was no significant fluctuation compared with last year.

C. Employee Rights and Benefits

(A) Employee benefit plans

The company's employee welfare measures include wedding and funeral subsidies, festival gifts, cultural and sports activities such as skill competitions, badminton competitions, employee travel, birthday celebrations, irregular employee evenings and sweepstakes. The company also provides employees to participate various training and training opportunities to improve staff's vision and work efficiency.

(B) Status of employee training and education

In order to improve the quality and work skills of employees and enhance the efficiency and quality of work, the Group conducts various employee education and training from time to time, implements internal skills assessments, and provides skills subsidies to those who pass the examination. The Vietnam factory arranges Chinese and Vietnamese language courses to provide employees and foreign cadres with the opportunity to learn Chinese and Vietnamese. Those who pass the foreign language proficiency test will be given foreign language subsidies in order to cultivate outstanding talents, thereby improving operational performance and achieving sustainable operations. In 2025, the average training hours per employee at Khgears was 11.26 hours.

(C) Retirement system and state of implementation

The Group's main place of operation is in the People's Republic of China, and employees pay social insurance (including pension, unemployment, medical, maternity, and work-related injury) in accordance with the "Social Insurance Law of the People's Republic of China". Individuals who participate in the basic pension insurance and have made cumulative contributions for fifteen years when they reach the statutory retirement age will receive a basic pension on a monthly basis; individuals who participate in the basic pension insurance and whose cumulative contributions are less than fifteen years when they reach the statutory retirement age can pay up to After fifteen years of service, you will receive a basic pension on a monthly basis; you can also transfer to new rural social pension insurance or urban resident social pension insurance, and enjoy corresponding pension insurance benefits in accordance with the provisions of the State Council.

Employees of Taiwan subsidiaries are subject to the new pension system, and the company pays employee pensions at a rate of 6% of the salary scale every month.

The Vietnamese subsidiary pays various social insurances and pensions (based on 14% of salary) for employees in accordance with relevant local laws and regulations, and employees are entitled to various pension benefits in accordance with the law.

(D) Employee–employer agreements and measures taken to safeguard the employee interests

The company has always attached great importance to the rights and interests of employees. In addition to stipulating relevant working rules in accordance with laws and regulations, and having clearly regulated various labor conditions, employees can always express their opinions through meetings, e-mails or mailboxes, and labor-management communication channels are unobstructed.

The Company respects employees' freedom of assembly and association and protects the freedom and right of all employees to participate in trade unions. As of the end of 2025, the China subsidiary had established a trade union and held annual labor-management representative meetings to safeguard the legitimate rights and interests of employees. Furthermore, none of the Group's companies have signed collective agreements with their employees.

The Company respects employees' rights to exercise and apply for parental leave. In 2025, 17 employees at the China subsidiary applied for parental leave (parents are entitled to 10 days of parental leave annually until their child turns three years old). Five employees at the Vietnam subsidiary received parental leave benefits, allowing them to arrive at work later or leave one hour earlier each day until their child turns one year old.

All employees of the Company undergo regular performance appraisals (monthly, quarterly, and annually). Supervisors review employee performance through these appraisals, providing timely guidance and feedback. Appraisal results form the basis for annual salary increases, promotions, and year-end bonuses. Technical employees are eligible to take skills certification tests quarterly and receive a skill-based allowance based on their skill level.

(E) Compensation Policy

To ensure our compensation and benefits policies comply with relevant regulations and attract and retain outstanding talent, the company offers competitive salaries and incentives at all major locations. Our subsidiaries in China and Vietnam offer salaries that are at least 1.14 times higher than the local statutory base salary. We also adhere to gender pay equality to ensure salaries are not disparate based on gender. Furthermore, we provide bonuses and allowances based on industry standards and market conditions to ensure employees maintain financial stability and focus on their personal development and performance.

Ratio of the standard salary of frontline staff to the local minimum wage in 2025

Subsidiaries	Male	Female
China	1.14	1.14
Vietnam	1.18	1.18

Note1: Salary definition: Average fixed monthly salary of the subsidiary's frontline staff.

Note2: Ratio: Ratio of frontline staff salary to local minimum wage

(F) The proportion of local residents in the senior management level

Khgears believes that making good use of local managers' local connections and understanding of the local area is crucial to the success of the Group's various operating locations. Among the major operating locations, the proportion of local residents in the Chinese subsidiary at the department level and above is 73.33%. In addition, the Vietnamese subsidiary was established in 2020, and the first phase of factory construction was completed at the end of 2021. Mass production will begin in 2022. In 2025, there will be no local Vietnamese employees in the Vietnamese subsidiary's department level and above, but more than half of the mid-level section managers are Vietnamese employees. The company will continue to train local employees to serve as senior managers of the operating location to make good use of local talents.

Proportion of local residents in senior management positions in 2025

Subsidiary	China	Vietnam
Number of senior managers	15	9
Number of senior managers who are locals	11	0
Proportion	73.33%	0%

Note: Definition of senior managers: managers at department level (inclusive) and above.

3. Occupational Safety and Health

A. Occupational Safety and Health Management Policy

Khgears attaches great importance to occupational safety and health and is committed to providing a safe and healthy operating environment for its employees, customers, communities, suppliers and other stakeholders. "People-oriented, caring for life, abiding by laws and regulations, and continuous improvement" are its work guidelines for occupational health and safety. Its occupational health and safety goal is to achieve zero accidents/incidents of all types (including fire accidents, mechanical injuries, occupational diseases, electric shock injuries, falls from heights, high temperature hazards, food poisoning, and object impact injuries).

(A) Occupational Safety and Health Management System

To ensure employee safety, the company has formulated an occupational safety and health management policy and established EHS (Environmental, Health, and Safety) organizations at its major production locations in China and Vietnam. Dedicated occupational safety and health personnel manage the system in accordance with ISO 45001 or equivalent international standards. In accordance with the requirements of ISO 45001:2018, the company has developed and established a management system document, including an occupational health and safety management manual, relevant procedures, and operational documents. The Chinese subsidiary obtained ISO 45001:2018 certification in 2025 for the first time, and the Vietnamese subsidiary will also work towards obtaining ISO 45001 certification.

The Occupational Safety and Health Management System covers all employees at all operating locations in 2025, achieving 100% coverage. Each production site will conduct internal audits prior to annual external audits related to environmental, safety, and health to self-assess the effectiveness of environmental, safety, and health implementation. Through this management cycle, various work plans are implemented to achieve the goal of continuous improvement and reduce occupational hazards.

The company's occupational safety and health management covers the following workers:

a. Laborers: refers to employees who are employed by the company, perform work and receive wages.

b. Other workers who are not employed by the company: includes people who do not have an employment relationship with the company but are directed or supervised by the person in charge to perform work in the workplace. For example, dispatched workers or people who perform work for the purpose of learning skills or receiving vocational training fall into this category.

c. Contractors: refers to individuals or groups who have no employment relationship or affiliation with the company. These people are hired by external companies to complete specific tasks for Junxing and receive compensation after the tasks are completed. For example, providers of equipment repair, catering services, cleaning and security services, etc.

To ensure the safety and health of non-employed workers and contractors, the company provides necessary safety and health education and training, as well as medical assistance, and allows these individuals to use the company's shared facilities. For specialized and high-risk operations, the company outsources these operations to specialized vendors, strictly requiring them to comply with local occupational safety and health regulations and the company's safety and health management measures.

(B) Hazard identification, risk assessment and accident investigation

Khgears attaches great importance to the safety and health of its workers and adheres to the principles of pre-emptive prevention, zero accidents and zero disasters. In addition to being applicable to the company's internal operations, it also applies to other personnel active in the company's workplaces (such as contractors and visitors). Management representatives of the main production bases, subsidiaries in China and Vietnam, are responsible for reviewing and approving hazard identification and risk assessment operations, and are implemented by the safety and health unit and the heads of each unit. The company evaluates and grades risk levels according to severity, detectability and frequency of occurrence. The risk level is 1 to 5. Major occupational health and safety risk projects belonging to the first and second levels are registered in the "List of Major Hazard Sources". Relevant control procedures are formulated and key management is carried out, such as strengthening protective equipment, implementing special safety inspections and regular education and training, and assigning mid- and senior-level managers to supervise and evaluate performance. Medium and low-risk projects are reviewed regularly, and employee proposals for optimization and improvement are open to jointly formulate risk mitigation measures. In addition, to further improve workplace safety, the company has established a complete accident investigation process to ensure that every incident can be properly handled and improved. The investigation process includes:

a. Accident Report: After an accident occurs, the parties involved in the accident or the person who discovered the accident should immediately report it directly to the safety team, and the safety team leader should be responsible for reporting it to the management representative and general manager within the specified time. If a fire accident occurs and the fire is serious, the police should be called immediately.

b. Accident Scene Handling: The person in charge of the accident unit should immediately evacuate the construction personnel on site while reporting the accident and quickly organize and activate the "Emergency Plan" to prevent the accident from spreading and expanding. When organizing the rescue of injured persons and implementing the emergency procedures, the project manager or incident manager should be responsible for protecting the accident scene to prevent the accident evidence from being accidentally or intentionally destroyed, which would affect the accident investigation.

c. Accident investigation: Based on the severity of the accident, the management representative or the management manager shall organize an accident investigation team to conduct an investigation and handle the matter. Personnel from relevant departments shall participate and conduct an in-depth analysis of the cause of the accident. After the accident investigation team has conducted a comprehensive investigation and analysis of the accident, the team leader shall organize the preparation of an accident investigation report. The accident investigation report shall include: the basic situation of the accident, the course of the accident, the analysis of the cause of the accident, suggestions for corrective and preventive measures for the accident, analysis of the responsibility for the accident, the person responsible for the accident and the treatment opinions for the person responsible, a list of the investigation team members and a signature list of the investigation team members, and attachments (including video materials, technical identification reports of physical evidence, testimony materials, various original records and charts, etc.).

d. Accident handling: Accident handling should adhere to the "four no-tolerance" principle: the cause of the accident must be investigated, the person responsible must be dealt with seriously, the majority of employees must be educated, and preventive measures must be implemented. After the accident investigation and handling is completed, the management department should organize the accident details, cause, and the handling of the responsible person at an appropriate time, issue an accident notice, and organize all employees to study and learn lessons from it to prevent the accident from happening again.

e. Accident statistics and reports: The management department should regularly compile and report all types of accidents in accordance with relevant regulations and system requirements.

In 2025, Khgears had no record of any employees being punished for reporting safety concerns or voluntarily retreating to a safe place due to safety concerns.

(C) Health Promotion Program

Khgears conducts regular health checks for employees at all its locations, in accordance with local laws and regulations. To address emergencies, the company has dedicated personnel at each location to ensure timely provision of necessary first aid. During new employee training, the company provides information on health services, medical assistance, and occupational disease prevention. In 2025, 752 employees participated in the company's health promotion program.

(D) Participation, consultation and communication of workers in occupational safety and health

Khgears has an occupational safety and health management team at its major production locations in China and Vietnam, responsible for coordinating and planning occupational safety and health matters. These managers hold regular meetings to discuss and formulate safety and health management, education and training programs, health management, occupational disease prevention and health promotion, automated equipment inspections and safety and health audits, preventive measures for hazards associated with machinery, raw materials, and chemicals, and occupational hazard investigation reports.

(E) Occupational safety and health education and training

The company complies with government regulations and provides necessary safety and health education and training for new employees. Regular courses are held, with a total of 752 participants in 2025, totaling 1,340 hours of training. Furthermore, regarding fire safety, the company's major production bases in China and Vietnam hold fire drills once or twice annually to help employees enhance their fire prevention awareness and response capabilities. For non-employed workers, hazard briefings and safety and health education training are provided before entering the work site. Work safety analyses and safety reminders are also used to reinforce safety and health awareness. Furthermore, during operations, the company regularly disseminates safety and health knowledge and concepts through safety supervision, fostering a culture that prioritizes safety and health.

(F) Prevent and mitigate occupational health and safety impacts directly related to business relationships

For non-employees, the company also implements necessary management measures in accordance with legal requirements to ensure a safe and healthy working environment for contractors. This includes incorporating safety regulations into contracts, providing hazard awareness training to contractors before they enter the factory, and providing safety supervision and other related management and training. We also conduct regular safety inspections and report any deficiencies to the contractor or subcontractor to encourage them to implement safety improvements.

B. Occupational injuries

Khgears regularly compiles statistics on occupational hazard data at all operating locations. In 2025, the total working hours at all the Group's operating locations were 2,723,434 hours. During this period, no occupational injury incidents resulting in death occurred, and only 4 occupational injury accidents occurred. The main cause was that employees were careless or inattentive when operating machines, resulting in crushing or cutting accidents. The employees who were involved in the accidents recovered and returned to work within 1 week after receiving emergency treatment to stop bleeding, disinfection or being sent to the hospital for treatment.

Year	Total working hours	Occupational injuries			Death rate caused by occupational injuries	Severe occupational injury rate (excluding fatalities)	Recordable occupational injury rate
		Number of Severe occupational injuries (Note4)	Number of death	Number of recordable occupational injuries			
2025	2,723,434	0	0	4	0	0	1.47

Note 1: The recordable occupational injury rate is calculated as the number of occupational injuries/total hours worked * 1,000,000 work hours.

Note 2: The Severe occupational injury rate is calculated as the number of serious occupational injuries/total hours worked * 1,000,000 work hours.

Note 3: The Company does not record the total hours worked by non-employee workers. There were no occupational injury incidents involving non-employee workers in 2025. We plan to establish a contractor management system to record the number of workers, hours worked, and number of injuries in our factories.

Note 4: Severe occupational injury is defined as any other injury from which the worker cannot recover (e.g., amputation) or an injury from which the worker cannot or will not be able to recover to their pre-injury health within six months (e.g., a concurrent fracture).

4. Community Engagement

Khgears upholds the principle of taking from society and giving back to society, expressing its care for society through charitable donations, embodying the spirit of social mutual assistance and harmony. For example, we provide annual holiday greetings to the elderly in local villages, provide scholarships and grants to poor students in schools and enterprises, etc. The relevant community donations in 2025 are as follows. The company will continue to promote related charitable activities and actively safeguard social welfare.

Unit	Project	Amount	Remarks
Ganwu Town Government	Green Beauty Zhuhai City tree donations	RMB 5,000	
Gannan Community, Ganwu Town	Sponsoring the tug-of-war competition for International Women's Day	RMB 3,000	
Ganwu Town Gardening Office	Summer Cool Relief for Sanitation Workers	RMB 4,872	84 gifts
Dong'ao, Shiqun, Ganbei, and Gannan villages in Ganwu Town	Mid-Autumn Festival greetings	RMB 11,888	80 gifts

To support local education and increase students' practical work experience, the Company actively collaborates with universities and colleges to arrange for students to receive practical work training. The details of these collaborations in 2025 are as follows:

Type	School	Number of students	Period
Industry-Academic Collaboration	National Formosa University	6	2025/1/1~2025/12/31

Chapter VI Environmental aspects

1. Material topics

A. Energy and Greenhouse Gas Management

Impact Description	Positive impact: Companies invest resources in developing carbon-reduction technologies, leading the industry as pioneers and leading others to follow suit, resulting in collective benefits. Negative impact: Failure to effectively reduce energy use leads to high carbon emissions, leading to the imposition of carbon fees, which in turn increases costs.
Policy or commitment	We are committed to energy conservation, carbon reduction and environmental sustainability, and we adhere to the principles of continuous improvement, waste reduction and making good use of every resource to achieve the responsibility of sustainable energy management and reducing greenhouse gas emissions.
Management Actions	(1) Promote circular economy and energy conservation measures. (2) Establish energy management goals and implement them to achieve the expected results of the management system.ox.
Effective tracking process	(1) Energy usage trends (electricity intensity) and green electricity usage ratio. (2) Greenhouse gas emission intensity.
Goal	Short-term goal: Use a solar power generation system to increase the green electricity usage ratio to over 10%. Medium- to long-term goals: (1) Increase the green electricity usage ratio to over 30%; (2) Fully implement the ISO50001 energy management system, establish standardized processes, and combine education and training with internal promotional activities to enhance all employees' energy-saving awareness and practical skills.

2. Environmental Policy and Commitment

Khgears incorporates the philosophy of sustainable development into its manufacturing approach, adopting the ISO 14001 environmental management system and formulating environmental policies. We aim to achieve a balance between business operations and environmental protection. Regarding environmental protection, we are committed to the following policies:

A. Comply with government environmental laws and regulations and strive to meet international environmental standards.
B. Continuously improve product design and manufacturing to reduce resource and energy consumption in product production.
C. Continuously reduce the generation and discharge of waste and pollutants, and properly dispose of waste and pollutants.
D. Continuously promote the recycling and reuse of raw materials, auxiliary materials, and

products.

E. Continuously extend the lifespan of products, improve product performance, or reduce energy consumption.

3. Climate Change

A. Describe the board's and management's oversight and governance of climate-related risks and opportunities

The Company has established a "Risk Management Policy," with the Board of Directors as the highest decision-making body for risk management. To strengthen climate-related risk management, relevant management systems and procedures have been established, along with established climate risk monitoring indicators for oversight. The Chief Corporate Governance Officer reports annually to the Audit Committee and the Board of Directors on the implementation of climate-related risk management. In accordance with Taiwan Stock Exchange regulations, the Company will submit a quarterly greenhouse gas inventory and verification schedule to the Board of Directors for control starting in May 2022. The first consolidated greenhouse gas inventory report for all Group operating locations (consistent with the entities covered by the Company's consolidated financial statements) for fiscal year 2024 will be completed in June 2025.

B. Describe how the identified climate risks and opportunities will affect the company's business, strategy and finances (short-term, medium-term and long-term)

The Company has identified six risks based on the likelihood and significance of climate-related risks and opportunities, and assessed the timeframe and potential financial impact of the impact.

Risk		Impact timeline	Potential risks and opportunities	Significance	Response measures
Transition risks	Policies and regulations require disclosure of greenhouse gas emissions and setting reduction targets	Short-term/ medium-term	There may be stricter greenhouse gas emission controls, increasing corporate greenhouse gas reduction responsibilities and risks.	Low	1. Establish a greenhouse gas emissions audit team. 2. Set greenhouse gas reduction targets and strategies. 3. Increase the use of renewable energy or purchase green certificates.
	Countries develop carbon tax/carbon fee mechanisms	Short-term/ medium-term	May lead to higher operating costs for businesses	Medium	1. Set greenhouse gas reduction targets and strategies. 2. Increase the use of renewable energy or purchase green energy certificates. 3. Upgrade equipment and introduce energy-saving and carbon-reduction measures into production processes to improve energy efficiency.
	Changes in consumer spending patterns	Medium-term	The demand for low-carbon products is increasing, and the development schedule of low-carbon products may not meet customer needs.	Medium	1. Define low-carbon products and introduce low-carbon materials. 2. Establish product carbon footprint audits and a low-carbon supply chain. 3. Implement an internal carbon pricing mechanism.
	Impact on company reputation and image	Short-term/ medium-term	Failure to achieve climate goals may lead to a decline in ESG-related international ratings, which may impact corporate reputation and affect	Low	1. Publish a sustainability report annually to inform stakeholders of the company's energy conservation and carbon reduction efforts and their specific achievements. 2. Actively communicate with stakeholders to understand investors'

			investors' willingness to invest.		expectations and suggestions regarding the company's climate change efforts.
Physical Risk	Operational disruptions caused by extreme weather events such as droughts and floods	Short-term	The impact of production interruptions on revenue is estimated to be around NT$8.39 million per day.	Medium	1. Develop an emergency management plan to strengthen the restoration timeliness of critical systems and quickly resume operations. 2. Conduct regular disaster drills annually. 3. Ensure backup suppliers for raw materials and maintain a safety stock to prevent supply chain disruptions.
	Long-term global average temperature rise	Long-term	The increase in electricity and water consumption related to air conditioning has led to an increase in operating costs.	Low	1. Implement various water-saving and energy-saving measures to improve energy and resource efficiency. 2. Design new factory buildings based on climate information.

Note: Short-term refers to the next three years, medium-term refers to 3 to 10 years, and long-term refers to more than 10 years.

C. Describe the financial impacts of extreme climate events and transition actions

Extreme climate shocks	Financial impact	Transition actions
Personnel	Personnel loss of work or casualties disrupts daily operations and results in lost production capacity.	Establish a personnel agency mechanism and a second production base for the Group to mitigate the risk of operational disruption.
Assets	Damage to buildings and equipment, in addition to direct losses, indirectly reduces production capacity, impacting revenue and profits.	Regularly assess the adequacy of natural disaster insurance coverage and establish a second production base for the Group to mitigate the risk of operational disruption.
Inventory	Raw material shortages and loss of semi-finished or finished products lead to missed delivery dates, impacting revenue and profits, and customer commitments.	Develop a global supply chain, decentralize procurement and production, and diversify product offerings to mitigate operational risk.
Logistics	Disrupted transportation routes prevent smooth delivery of raw materials or finished products, resulting in operational losses and impacting customer commitments.	Develop a global supply chain, decentralize procurement and production to mitigate operational risk. Increase local procurement at each factory to shorten transportation, conserve energy, and reduce carbon emissions.
Compliance	Costs and penalties for complying with climate-related regulations in various countries.	Dedicated personnel at each subsidiary/branch will familiarize themselves with local climate regulations and report back to the parent company to avoid violations due to unfamiliarity, which could lead to increased operating costs.

D. Describe how the climate risk identification, assessment and management processes are integrated into the overall risk management system

The ESG team in the General Manager's Office regularly assesses the potential risks and opportunities of climate change. Based on the likelihood and significance of occurrence, it identifies major risk items and plans corresponding measures. The head of corporate governance then submits a risk management report, including climate change risks, and recommends appropriate response measures to the Audit Committee and the Board of Directors annually.

E. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analytical factors and main financial impacts used should be explained

The Company plans to strengthen the impact assessment of climate-related risks and opportunities based on the TFCD framework and formulate plans to manage climate-related risks.

F. If there is a transition plan to manage climate-related risks, describe the content of the plan and the indicators and targets used to identify and manage physical and transition risks

The ESG Team of the General Manager's Office regularly assesses the potential risks and opportunities of climate change. Based on the likelihood and significance of occurrence, it identifies significant risk items and plans corresponding measures. Please refer to the explanation in the previous section, "B. Describe how the identified climate risks and opportunities will affect the company's business, strategy and finances (short-term, medium-term and long-term)." The company has established greenhouse gas reduction targets. Please refer to the following section, "4. Greenhouse Gas Emissions."

G. Internal carbon pricing

The Group has not yet used internal carbon pricing as a planning tool and will incorporate it in the future at an appropriate time, depending on the implementation of greenhouse gas emission reduction measures.

4. Greenhouse Gas Emissions

In 2024, Khgears completed its self-assessment of greenhouse gases at all of its operating locations (consistent with the entities covered by the Company's consolidated financial statements) in accordance with ISO 14064-1:2018, and has arranged for external agencies to conduct consolidated emissions assurance work for the Group since 2025. Khgears's greenhouse gas assessment achieved limited assurance on Categories I and II for the first time in 2025, and accordingly reset 2025 as the base year for the Group's carbon reduction. In 2025, Khgears's total greenhouse gas emissions will be 34,813.222 metric tons of CO2 equivalent, of which Category I (Category I) "Direct Greenhouse Gas Emissions" will be 355.688 metric tons of CO2 equivalent, Category II (Category II) "Indirect Greenhouse Gas Emissions" will be 9,595.215 metric tons of CO2 equivalent, and Category III (Categories III to VI) "Other Indirect Greenhouse Gas Emissions" will be 24,862.319 metric tons of CO2 equivalent. The greenhouse gas emission intensity for categories one and two is 3.2467 metric tons of CO2 e/million

Unit：metric tons CO2 e；%

Category	2024		2025		Growth rate
	Emission	%	Emission	%	
Category1(Scope1)	527.872	1.32%	355.688	1.02%	-32.62%
Category2(Scope2)	10,437.233	26.12%	9,595.215	27.56%	-8.07%
Category3(Scope3)	663.101	1.66%	613.013	1.76%	-7.55%
Category4(Scope3)	28,327.156	70.90%	24,249.306	69.66%	-14.40%

Category5(Scope3)	-	0.00%	-	0.00%	-
Category6(Scope3)	-	0.00%	-	0.00%	-
Total	39,955.362	100.00%	34,813.222	100.00%	-12.87%

Note 1：The 2024 greenhouse gas inventory was conducted independently. The data for Categories I and II in 2025 were verified by Deloitte Touche Tohmatsu Certified Public Accountants, who issued a limited assurance report.

Note 2：Categories 3-6 (Scope 3) are based on the materiality criteria of ISO 14064-1 (2018) and include "emissions from upstream raw material transportation", "emissions from downstream product transportation", "emissions from the purchase of raw materials for mining, manufacturing and processing" and "emissions from the disposal of solid and liquid waste".

Item	Unit	2024	2025	Growth rate
Category1 & 2	metric tons CO2 e	10,965.105	9,950.903	-9.25%
Consolidated revenue	NT$ thousand	3,061.903	3,064.957	0.10%
Greenhouse Gas Emissions intensity	metric tons / NT$ million	3.5811	3.2467	-9.34%

To reduce greenhouse gas emissions, Khgears will continue to optimize its internal energy management. By increasing the use of renewable energy, the company will continuously pursue improved energy performance, reduce energy costs, enhance energy management intensity, and gradually improve greenhouse gas reduction performance. In addition, the company's subsidiary in China purchased 69 megawatt-hours of green electricity certificates in 2025, which would be converted into 30.4911 metric tons of CO_2 emissions.

Year	2030	2040	2060
Greenhouse gas emission reduction goals and strategies	Goal： Based on 2025, the greenhouse gas emission intensity of Scope/Category 1 and Scope/Category 2 will be reduced by 30%. Strategies: (1) Improve energy efficiency through process optimization and replacement of inefficient equipment. (2) Install solar power generation equipment within the factory to increase the proportion of green energy used.	Goal： Based on 2025, the greenhouse gas emission intensity of Scope/Category 1 and Scope/Category 2 will be reduced by 55%, and the proportion of renewable energy use will exceed 30%. Strategies: (1) Introducing an internal carbon pricing mechanism to continuously improve energy efficiency. (2) Actively developing low-carbon products. (3) Developing an intelligent energy	Goal： The entire value chain is fully carbon neutral. Strategies: (1) Engage consultants to collaborate with customers and suppliers to systematically reduce greenhouse gas emissions throughout the supply chain. (2) Continuously utilize energy management systems to monitor energy consumption and load characteristics in real time to optimize equipment

	(3) Introduce the ISO50001 energy management system.	management system and completing the construction of a visual monitoring system for major energy-consuming equipment such as air compressors, air conditioners, and power supplies. This will continuously collect and analyze energy consumption data to form the basis for optimizing energy management.	operation, improve energy efficiency, and serve as a basis for evaluating energy conservation improvements. (3) Increase the proportion of renewable energy used through the construction or purchase of green energy and the purchase of renewable energy certificates.

5. Energy Management

Khgears has long advocated for and implemented environmental protection and energy conservation, promoting energy-saving programs in its factories and offices. Its management goal is to continuously reduce electricity intensity, with a 1.52% increase in energy intensity in 2025 compared to last year. The Group's Vietnam subsidiary began using solar power generation in May 2025, and the proportion of renewable energy in Khgears Group increased from 0 in the previous year to 5.44% in 2025.

Item	Unit	2023	2024	2025
Total Energy Consumption	Giga-Joule (GJ)	61,600.9752	71,825.4180	72,992.6136
Consolidated Revenue	NT$ million	2,348.85	3,061.90	3,064.96
Energy Intensity	GJ / NT$ million	26.2260	23.4578	23.8152
Green Electricity Certificates	GJ	194.4	194.4	248.4
Percentage of Grid Electricity	%	100%	100%	94.56%
Percentage of Renewable Energy	%	0%	0%	5.44%

6. Water Resources Management

A. Water Resources Management Policy

Continue to promote water conservation and cherish water resources.

B. Water-saving measures

Khgears not only regularly promotes water conservation, but also implements specific water conservation measures. For example, factories have installed wastewater treatment and filtration systems to recycle water and reduce production water usage. For household water use, water pipes are inspected annually, and old pipes are replaced to reduce leaks.

Water pressure at sinks is lowered, and water-saving toilets, urinals, and faucets are installed to reduce water waste. The General Manager's Office of the parent company annually reviews the water intensity of each operating site, setting a continuous reduction goal to achieve the policy's goal of promoting water conservation. Water intensity in 2025 has decreased by 27.91% compared to last year. The significant decrease in water intensity is mainly due to the renovation of water tanks by the subsidiary in mainland China, which reduced the number of water tanks and repaired leaks.

Item	Unit	2023	2024	2025
Total water use	metric tons	112,008	140,046	101,062
Consolidated revenue	NT$ million	2,348.85	3,061.90	3,064.96
Water intensity	metric tons / NT$ million	47.6863	45.7382	32.9734

7. Waste Management

A. Waste Disposal Policy

The company's waste treatment aims to ensure safety, harmlessness, and resource utilization. From an environmental perspective, we prioritize source reduction, followed by on-site reuse, and finally outsourcing, with the goal of ultimately achieving zero waste.

B. Waste disposal measures

The Group's two production sites in China and Vietnam have both obtained ISO14001-2015 environmental management system certification and have implemented relevant environmental management procedures. These include strict regulations for waste recycling, management, and classification, as well as record-keeping for waste disposal and reporting in accordance with local government regulations. The Company is focusing on recycling and reuse from procurement, product design, and manufacturing, continuously promoting ISO 14001 environmental management system reviews to improve source reduction strategies and develop waste reduction improvement plans, aiming to achieve zero resource waste. The results of the waste inventory surveys over the past three years are as follows, the waste density rate in 2025 has decreased by 13.61% compared to last year:

Item	Unit	2023	2024	2025
Hazardous waste	metric tons	130.551	187.10	200.35
Non-hazardous waste	metric tons	269.117	350.34	248.55
Total waste	metric tons	399.668	492.44	448.90
Consolidated revenue	NT$ million	2,348.85	3,061.90	3,064.96
Waste intensity	metric tons / NT$ million	0.1702	0.1608	0.1465

Appendix:

Appendix 1 GRI Index Table

GRI Index Table Description

Statement	The 2025 ESG Report published by Khgears International Limited is reported in accordance with the GRI standards
Used GRI 1	GRI 1：Foundation 2021
Applicable GRI Industry Standards	Not Applicable

Index of GRI Standards Indicators

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9-2	The company's greenhouse gas reduction goals, strategies and specific action plans	Chapter VI 4. Greenhouse Gas Emissions	55

Appendix 3 SASB Index (Industry: Industrial Machinery & Goods)

Topic	Accounting Metric	Category	Units of Measurement	Code	Chapter	Page
Energy Management	(1)Total energy consumed (2)Percentage of grid electricity (3)Percentage of renewable	Quantitative	Gigajoulee (GJ), Percentage (%)	RT-IG-130a.1	Chapter VI 5. Energy Management	57
Employee Health and Safety	Direct employees and contract employees: (1) Total Recordable Incident Rate (TRIR) (2) Work-related Fatalities Rate (3) Near Miss Frequency Rate (NMFR)	Quantitative	Rate	RT-IG-320a.1	Chapter V 3. Occupational Safety and Health	45
Fuel Economy & Emissions in Usephase	Sales-weighted Fleet Fuel Efficiency for Medium- and Heavy-duty Vehicles	Quantitative	L／100 ton-km	RT-IG-410a.1	Not applicable. The company does not manufacture this product.	-
	Sales-weighted Fuel Efficiency for Non-road Equipment	Quantitative	L／hr	RT-IG-410a.2	Not applicable. The company does not manufacture this product.	-
	Sales-weighted Fuel Efficiency for Stationary Generators	Quantitative	L／KJ	RT-IG-410a.3	Not applicable. The company does not manufacture this product.	-
	Sales-weighted emissions of: (1) nitrogen oxides (NOX) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy- duty engines, and (d) other non- road diesel engines	Quantitative	g／KJ	RT-IG-410a.4	Not applicable. The company does not manufacture this product.	-
Materials Sourcing	Description of Risks Associated with the Use of Critical Materials	Discussion and Analysis	None	RT-IG-440a.1	Chapter I 2.B. Correlation with up, mid, and downstream industries Chapter IV 8. Supplier Management	3 38

Remanufacturing Design and Services	Revenue from Remanufactured Products and Services	Quantitative	Currency	RT-IG-440b.1	Not applicable. The company does not manufacture this product.	-
Activity Indexs	Number of Units Produced by Product Category	Quantitative	Quantity	RT-IG-000.A	Because it involves sensitive company information, it is inconvenient to disclose	-
Activity Indexs	Number of Employees	Quantitative	Quantity	RT-IG-000.B	Chapter V 2.B. Human resource structure	41