

**CHENG FWA INDUSTRIAL CO., LTD.****Parent Company Only Financial Statements****With Independent Auditors' Report  
For the Years Ended December 31, 2025 and 2024**

Address: No. 25, Sec. 2, Guangfu Rd., Sanchong Dist., New Taipei City 241 , Taiwan,  
R.O.C.

Telephone: 886-2-29951436

The independent auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and parent company only financial statements, the Chinese version shall prevail.

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安侯建業聯合會計師事務所  
KPMG

台北市110615信義路5段7號68樓(台北101大樓)  
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,  
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666  
傳真 Fax + 886 2 8101 6667  
網址 Web kpmg.com/tw

## Independent Auditors' Report

To the Board of Directors of Cheng Fwa Industrial Co., Ltd.:

### Opinion

We have audited the financial statements of Cheng Fwa Industrial Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2025, and 2024 the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company Only financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### 1. Revenue Recognition

Please refer to Note 4(n) "Revenue from contracts with customers" for accounting policy related to revenue recognition, and Note 6(o) "Revenue from contracts with customers" for the details of the revenue recognition during the years.

Description of key audit matter:

The Company is mainly engaged in the manufacture and trading of products. Revenue recognition on the sales of the Company's products is the timing of the transfer of control of the product depending on the individual terms with the customers, as well as the terms of acceptance and return of goods based on the sale contracts between the Company and its customers. There is a risk of misstatement when the timing of revenue recognition is earlier than the transfers of control. It may result in inappropriate revenue recognition. Therefore, the test of revenue recognition is one of our key audit matters in the audit of financial reports of the Company.

How the matter was addressed in our audit:

Our principal audit procedures included testing the effectiveness of the design and implementing the internal control system of sales revenue; reviewing the major customers' sales contracts and understanding the terms of the contracts; testing documents and confirming whether the control of goods has already been transferred to buyer, as well as assessing the appropriateness of the timing and amount of revenue recognition; and testing samples of sales transactions during the period before and after the end of the year to assess the accuracy of the revenue recognition period. We have also assessed that the material judgment relating to the recognition of the revenue of the Company has been duly disclosed.

## 2. Inventory valuation

For the accounting policies of inventories, please refer to Note 4 (g); For the accounting estimates and assumptions uncertainty of inventory evaluation, please refer to Note 5(b); For the description of the inventory evaluation, please refer to Note 6 (d).

Description of key audit matter:

The inventory of the Company is measured by the lower cost and net realizable value. The Company product orders and sales prices are deeply affected by the fluctuations in the computer market. Sales of related products may fluctuate drastically, so there is a risk that the cost of the inventory may exceed its net realizable value. Therefore, the inventory evaluation is one of our key audit matters in the audit of financial reports of the Company.

How the matter was addressed in our audit:

The main audit procedures performed by the auditor on the key audit matter mentioned above included examining the inventory aging report and analyzing changes in inventory aging. We also obtained the inventory valuation details to understand the net realizable value estimated by management for inventory valuation and performed sampling procedures to verify the accuracy of the inventory aging report and net realizable value details. In addition, we evaluated whether the disclosure made by management regarding inventory valuation was appropriate.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Huang, Hsin-Ting and Chih, Shih-Chin.

KPMG

Taipei, Taiwan (Republic of China)

March 10, 2026

#### **Notes to Readers**

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

The auditors' report and the accompanying parent company only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and parent company only financial statements, the Chinese version shall prevail.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**CHENG FWA INDUSTRIAL CO., LTD.**

**Balance Sheets**

**December 31, 2025 and 2024**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>Assets</b>	<b>December 31, 2025</b>		<b>December 31, 2024</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
	<b>Current assets:</b>				
1100	Cash and cash equivalents (Note 6(a))	\$ 233,567	8	147,352	6
1136	Financial assets at amortized cost— current (Note 6(b))	141,210	5	114,821	4
1150	Notes receivable, net (Notes 6(c) and (o))	2,758	-	2,294	-
1160	Notes receivable-related parties, net(Notes 6(c), (o) and 7)	701	-	2,515	-
1170	Accounts receivable, net (Notes 6(c) and (o))	223,145	8	235,230	9
1180	Accounts receivable— related parties, net (Notes 6(c), (o) and 7)	42,391	2	30,965	1
1206	Other receivables, net	4,227	-	1,426	-
1220	Current tax assets	-	-	304	-
130X	Inventories (Note 6(d))	133,462	4	105,576	4
1410	Prepayments	7,604	-	6,161	-
1470	Other current assets	431	-	242	-
		<u>789,496</u>	<u>27</u>	<u>646,886</u>	<u>24</u>
	<b>Non-current assets:</b>				
1517	Financial assets at fair value through other comprehensive income, non-current	-	-	-	-
1550	Investments accounted for using equity method (Note 6(e))	1,193,404	41	1,158,876	44
1600	Property, plant and equipment (Notes 6(f) and 8)	688,362	24	678,891	25
1760	Investment property, net (Notes 6(g) and 8)	52,807	2	52,807	2
1821	Other intangible assets, net	826	-	1,051	-
1840	Deferred tax assets (Note 6(l))	18,383	1	22,505	1
1915	Prepayments for equipment	2,152	-	8,340	-
1920	Refundable deposits	1,039	-	976	-
1975	Net defined benefit asset, non-current (Note 6(k))	135,613	5	118,445	4
1990	Other non-current assets	914	-	914	-
		<u>2,093,500</u>	<u>73</u>	<u>2,042,805</u>	<u>76</u>
	<b>Total assets</b>	<b>\$ <u>2,882,996</u></b>	<b><u>100</u></b>	<b><u>2,689,691</u></b>	<b><u>100</u></b>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**CHENG FWA INDUSTRIAL CO., LTD.****Balance Sheets (CONT'D)****December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

		<u>December 31, 2025</u>		<u>December 31, 2024</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Liabilities and Equity</b>					
<b>Current liabilities:</b>					
2100	Short-term borrowings (Notes 6(h) and 8)	\$ 160,000	6	-	-
2130	Current contract liabilities (Notes 6(o) and 7)	10,822	-	11,822	-
2150	Notes payable	4,239	-	5,377	-
2170	Accounts payable (Note 6(i))	124,912	4	108,625	4
2180	Accounts payable—related parties (Notes 6(i) and 7)	25,585	1	7,354	-
2200	Other payables	77,643	3	73,983	3
2220	Other payables—related parties (Note 7)	263	-	263	-
2230	Current tax liabilities	3,351	-	394	-
2300	Other current liabilities (Note 7)	968	-	928	-
		<u>407,783</u>	<u>14</u>	<u>208,746</u>	<u>7</u>
<b>Non-Current liabilities:</b>					
2571	Deferred tax liabilities—land value increment tax (Note 6(l))	100,940	4	100,940	4
2572	Deferred tax liabilities—income tax (Note 6(l))	123,560	4	106,230	4
		<u>224,500</u>	<u>8</u>	<u>207,170</u>	<u>8</u>
	<b>Total liabilities</b>	<u>632,283</u>	<u>22</u>	<u>415,916</u>	<u>15</u>
<b>Share capital (Note 6(m)):</b>					
3100	Capital stock	1,438,000	50	1,438,000	53
3200	Capital surplus	77,934	3	77,934	3
<b>Retained earnings:</b>					
3310	Legal reserve	347,056	12	330,308	12
3320	Special reserve	232,113	8	232,113	9
3350	Unappropriated retained earnings	225,277	8	230,811	9
	Total retained earnings	<u>804,446</u>	<u>28</u>	<u>793,232</u>	<u>30</u>
3400	Other equity	(69,667)	(3)	(35,391)	(1)
	<b>Total equity</b>	<u>2,250,713</u>	<u>78</u>	<u>2,273,775</u>	<u>85</u>
	<b>Total liabilities and equity</b>	<u>\$ 2,882,996</u>	<u>100</u>	<u>2,689,691</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**CHENG FWA INDUSTRIAL CO., LTD.****Statements of Comprehensive Income****For the Years Ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)**

		<b>2025</b>		<b>2024</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4100	<b>Sales Revenue (Notes 6(o) and 7)</b>	\$ 956,811	100	805,587	100
5110	<b>Cost of sales (Notes 6(d), (k), (p) and 7)</b>	796,423	83	687,310	85
5900	<b>Gross profit from operations</b>	160,388	17	118,277	15
6000	<b>Operating expenses (Notes 6(k), (p) and 7):</b>				
6100	Selling expenses	47,482	5	42,181	5
6200	Administrative expenses	60,795	6	68,912	9
6300	Research and development expenses	42,659	4	39,814	5
6450	Expected credit gain (Note 6(c))	(4,393)	-	-	-
	<b>Total operating expenses</b>	<u>146,543</u>	<u>15</u>	<u>150,907</u>	<u>19</u>
6900	<b>Net operating income (loss)</b>	<u>13,845</u>	<u>2</u>	<u>(32,630)</u>	<u>(4)</u>
7000	<b>Non-operating income and expenses (Note 6(q)):</b>				
7100	Interest income	7,166	1	2,718	-
7010	Other income (Note 7)	6,830	1	4,995	1
7020	Other gains and losses, net (Note 7)	949	-	18,073	2
7050	Finance costs	(1,138)	-	(1)	-
7210	(Losses) gains on disposal of property, plant and equipment (Note 6(f))	(1,015)	-	94,828	12
7375	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method (Note 6(e))	72,634	8	75,056	9
	<b>Total non-operating income and expenses</b>	<u>85,426</u>	<u>10</u>	<u>195,669</u>	<u>24</u>
7900	<b>Profit from continuing operations before tax</b>	99,271	12	163,039	20
7950	Less: Income tax expenses (Note 6(l))	25,000	3	20,964	3
8200	<b>Profit</b>	<u>74,271</u>	<u>9</u>	<u>142,075</u>	<u>17</u>
8300	<b>Other comprehensive income:</b>				
8310	<b>Items that may not be reclassified subsequently to profit or loss (Note 6(k))</b>				
8311	Gains on remeasurements of defined benefit plans	8,843	1	16,950	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	<b>Total items that may be reclassified subsequently to profit or loss</b>	<u>8,843</u>	<u>1</u>	<u>16,950</u>	<u>2</u>
8360	<b>Items that may be reclassified subsequently to profit or loss</b>				
8361	Exchange differences on translation of foreign financial statements	(34,276)	(4)	52,428	7
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	<b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>(34,276)</u>	<u>(4)</u>	<u>52,428</u>	<u>7</u>
8300	<b>Other comprehensive income</b>	<u>(25,433)</u>	<u>(3)</u>	<u>69,378</u>	<u>9</u>
8500	<b>Total comprehensive income</b>	<u>\$ 48,838</u>	<u>6</u>	<u>211,453</u>	<u>26</u>
	<b>Basic earnings per share (Note 6(n))</b>				
9750	<b>Basic earnings per share</b>	<u>\$ 0.52</u>		<u>0.99</u>	
9850	<b>Diluted earnings per share</b>	<u>\$ 0.52</u>		<u>0.99</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**CHENG FWA INDUSTRIAL CO., LTD.**

**Statements of Changes in Equity**

**For the Years Ended December 31, 2025 and 2024**

**(Expressed in Thousands of New Taiwan Dollars)**

	Share capital		Retained earnings			Total other equity interest	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	
<b>Balance at January 1, 2024</b>	\$ 1,438,000	77,934	328,836	240,565	64,806	(87,819)	2,062,322
Profit	-	-	-	-	142,075	-	142,075
Other comprehensive income	-	-	-	-	16,950	52,428	69,378
Total comprehensive income	-	-	-	-	159,025	52,428	211,453
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	1,472	-	(1,472)	-	-
Reversal of special reserve due to disposal of land	-	-	-	(8,452)	8,452	-	-
Balance on December 31, 2024	1,438,000	77,934	330,308	232,113	230,811	(35,391)	2,273,775
Profit (loss)	-	-	-	-	74,271	-	74,271
Other comprehensive income	-	-	-	-	8,843	(34,276)	(25,433)
Total comprehensive income	-	-	-	-	83,114	(34,276)	48,838
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	16,748	-	(16,748)	-	-
Cash dividends of ordinary share	-	-	-	-	(71,900)	-	(71,900)
<b>Balance on December 31, 2025</b>	\$ 1,438,000	77,934	347,056	232,113	225,277	(69,667)	2,250,713

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**CHENG FWA INDUSTRIAL CO., LTD.****Statements of Cash Flows****For the Years Ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ 99,271	163,039
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	33,746	35,581
Amortization expense	225	211
Interest expense	1,138	1
Interest income	(7,166)	(2,718)
Expected credit gains	(4,393)	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(72,634)	(75,056)
Loss (gain) on disposal of property, plan and equipment	1,015	(94,828)
<b>Total adjustments to reconcile profit</b>	<u>(48,069)</u>	<u>(136,809)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Notes receivable (including related parties), net	1,350	12,710
Accounts receivable (including related parties), net	5,052	(81,091)
Other receivable (including related parties), net	(1,616)	(1,301)
Inventories	(27,886)	(934)
Prepayments	(1,443)	(1,925)
Other current assets	(189)	202
Net defined benefit asset, non-current	(8,325)	(7,246)
Other non-current assets	-	(1)
<b>Total changes in operating assets</b>	<u>(33,057)</u>	<u>(79,586)</u>
<b>Changes in operating liabilities:</b>		
Contract liabilities	(1,000)	(5,888)
Notes payable	(1,138)	2,362
Accounts payable (including related parties), net	34,518	12,270
Other payable (including related parties), net	3,660	11,262
Other current liabilities	40	(16)
<b>Total changes in operating liabilities</b>	<u>36,080</u>	<u>19,990</u>
<b>Total changes in operating liabilities</b>	<u>3,023</u>	<u>(59,596)</u>
<b>Total adjustments</b>	<u>(45,046)</u>	<u>(196,405)</u>
Cash inflow generated from operations	54,225	(33,366)
Interest received	5,981	2,779
Interest paid	(1,138)	(1)
Income taxes paid	(287)	(12,313)
<b>Net cash flows from (used in) operating activities</b>	<u>58,781</u>	<u>(42,901)</u>

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**CHENG FWA INDUSTRIAL CO., LTD.**

**Statements of Cash Flows (CONT'D)**

**For the years ended December 31, 2025 and 2024**

**(Expressed in Thousands of New Taiwan Dollars)**

	<b>For the year ended December 31</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(39,862)	(34,699)
Proceeds from disposal of property, plant and equipment	1,818	121,122
(Increase) decrease in refundable deposits	(63)	385
Acquisition of intangible assets	-	(326)
Increase in financial assets at amortised cost-current	(141,210)	(105,000)
Decrease in financial assets at amortised cost-current	114,821	51,489
Dividends received	3,830	10,483
<b>Net cash flows (used in) from investing activities</b>	<u>(60,666)</u>	<u>43,454</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term borrowings	160,000	-
Payments of lease liabilities	-	(308)
Cash dividends paid	(71,900)	-
<b>Net cash flows from (used in) financing activities</b>	<u>88,100</u>	<u>(308)</u>
<b>Net increase in cash and cash equivalents</b>	86,215	245
<b>Cash and cash equivalents at beginning of period</b>	<u>147,352</u>	<u>147,107</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 233,567</u></u>	<u><u>147,352</u></u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

**CHENG FWA INDUSTRIAL CO., LTD.**

**Notes to the Financial Statements**

**For the years ended December 31, 2025 and 2024**

**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

**(1) Company history**

Cheng Fwa Industrial Co., Ltd. (the “Company”) was established on July, 1972, via Ministry of Economic Affairs’ authorization. The Company is mainly engaged in the processing, manufacturing and trading of metal stamping shells and related components. The shares of the Company have been listed on the Taipei Exchange (“TPEX”) since February, 2000.

**(2) Approval date and procedures of the financial statements:**

These financial statements were authorized for issue by the Board of Directors on March 10, 2026.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2025:

- Amendments to IAS21 “Lack of Exchangeability”

- (b) The impact of IFRS Accounting Standards endorsed by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2026, would not have a significant impact on its financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

- (c) The impact of IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> <li>● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</li> <li>● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.</li> <li>● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
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The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”

**(4) Summary of material accounting policies:**

The material accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

The financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis.

- 1) Financial assets at fair value through other comprehensive income are measured at fair value;
- 2) The defined benefit assets are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 4(o).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entity operates. The Company’s financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

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

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non current.

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(e) Cash and cash equivalents

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

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – equity investment. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

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

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;

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**CHENG FWA INDUSTRIAL CO., LTD.**  
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- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Company's continuing recognition of the assets.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, trade receivables and notes receivable, other receivable and guarantee deposit paid).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
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Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial assets to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

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

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**CHENG FWA INDUSTRIAL CO., LTD.**  
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4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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

5) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

When preparing the parent company only financial statements, the Company adopts the equity method to evaluate the investee companies with control. Under the equity method, the current profit and loss and other comprehensive profit and loss of the parent company only financial statements prepared on the consolidated basis are the same as the amount attributable to the owner of the parent company, and the owner's equity of the parent company only financial statements and the consolidated basis are prepared. Equity attributable to the owners of the parent company in the financial statements is the same.

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

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
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Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

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

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

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

Land is not depreciated.

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

1) Buildings	3~61years
2) Machinery	2~16years
3) Office equipment	4~15years
4) Transportation equipment	6years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modification

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## CHENG FWA INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

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

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight line basis over the lease term as part of 'rental income'.

(l) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
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(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives, 4-10 years, of intangible assets, from the date that they are available for use.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

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

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

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**CHENG FWA INDUSTRIAL CO., LTD.**  
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(i) Sale of goods

The Company manufactures and sells electronic components to computer manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

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

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences ;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

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## CHENG FWA INDUSTRIAL CO., LTD.

### Notes to the Financial Statements

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

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

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

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares.

(r) Operating segments

The Company has disclosed segment information in the consolidated financial statements, so the parent company only financial statements do not disclose segment information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these parent company only financial statements, management has made judgments and estimates about the future, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognized prospectively in the period of the change and future periods.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

(a) The loss allowance of trade receivable

The Company has estimated the loss allowance for trade receivables that is based on the risk of a default occurring and the rate of expected credit loss. The Company has considered historical experience, current economic conditions and forward-looking information at the reporting date to determine the assumptions to be used in calculating the impairments and the selected inputs. The relevant assumptions and input values, please refer to Note 6(c).

(b) Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Refer to Note 6(d) for further description of the valuation of inventories.

(c) Measurement of defined benefit obligations

Accrued pension liabilities and resulting pension expenses under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, future salary increase rate, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability. Refer to Note 6(k) for further description of the actuarial assumptions and sensitivity analysis.

The Company's accounting policies and disclosures included financial and non-financial assets and liabilities measured at fair value. If there is market observable inputs, it will be considered as fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- (a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- (c) Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(r), Financial instruments for assumptions used in measuring fair value.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Cash	\$ 620	720
Demand deposits	168,548	111,133
Check deposits	1,639	499
Time deposits	<u>62,760</u>	<u>35,000</u>
	<b><u>\$ 233,567</u></b>	<b><u>147,352</u></b>

(b) Financial assets at amortized cost

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
<u>Current</u>		
Time deposits with original maturity of more than 3 months	<b><u>\$ 141,210</u></b>	<b><u>114,821</u></b>

The Company has assessed that these financial assets are held-to-maturity to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. Therefore, these investments were classified as financial assets measured at amortized cost.

- (i) The interest rates for time deposits with original maturities of more than 3 months were ranging 3.60% to 4.35% and 1.47% to 4.40% as of December 31, 2025 and 2024, respectively.
- (ii) For information relating to credit risk, please refer to Note 6(r).
- (iii) As of December 31, 2025 and 2024, the Company's time deposits were not pledged as collateral.

(c) Accounts receivable (including related parties)

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Notes Receivable	\$ 3,459	4,809
Accounts Receivable	226,081	242,598
Accounts receivable - related parties	42,524	31,059
Less: Loss allowance	<u>(3,069)</u>	<u>(7,462)</u>
	<b><u>\$ 268,995</u></b>	<b><u>271,004</u></b>

The Company applies the simplified approach to estimate its expected credit losses, which permit the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as forward looking information including macroeconomics and relative industries information.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

The loss allowance provision is determined as follows:

	<b>December 31, 2025</b>		
	<b>Gross Carrying Amount</b>	<b>Weighted Average Loss Rate</b>	<b>Loss Allowance Provision</b>
Current	\$ 245,161	0.32%	779
1 to 30 days past due	15,950	2.50%	399
31 to 60 days past due	9,419	10.02%	944
61 to 90 days past due	1,534	61.71%	947
More than 91 days past due	-	100%	-
	<u>\$ 272,064</u>		<u>3,069</u>

  

	<b>December 31, 2024</b>		
	<b>Gross Carrying Amount</b>	<b>Weighted Average Loss Rate</b>	<b>Loss Allowance Provision</b>
Current	\$ 258,122	2.09%	5,396
1 to 30 days past due	16,699	7.41%	1,237
31 to 60 days past due	3,621	22.25%	806
61 to 90 days past due	5	72.02%	4
More than 91 days past due	19	100%	19
	<u>\$ 278,466</u>		<u>7,462</u>

The movement in the allowance for notes and accounts receivable was as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Balance on January 1	\$ 7,462	7,462
Impairment losses reversed	(4,393)	-
Balance on December 31	<u>\$ 3,069</u>	<u>7,462</u>

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

For information relating to credit risk, please refer to Note 6(r).

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

## (d) Inventories

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Merchandise	\$ 312	404
Raw materials	4,063	4,614
Supplies	23,910	15,302
Work in proces	66,538	51,551
Finished goods	38,639	33,705
Total	<b>\$ 133,462</b>	<b>105,576</b>

- (i) The details of the cost of sales by the Company for the years ended December 31, 2025 and 2024 were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Production Cost	\$ 801,036	704,954
Reversal of write-downs of inventories	(4,500)	(13,119)
Income from sale of scraps	(1,290)	(1,271)
Loss on scrapping	3,523	-
Recognition as an expense	(2,346)	(3,254)
	<b>\$ 796,423</b>	<b>687,310</b>

- (ii) In both 2025 and 2024, the Company recognized inventory recovery gains due to the sale of reserved inventory and the reversal of obsolescence losses.
- (iii) As of December 31, 2025 and 2024, the inventories of the Company had not been pledged as collateral.

## (e) Investments accounted for using the equity method

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Subsidiaries	<b>\$ 1,193,404</b>	<b>1,158,876</b>

- (i) Please refer to the consolidated financial statement for the year ended December 31, 2025.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

(ii) To meet its needs of long-term operational planning, the Group's subsidiary, Changzhou Jenyang, established a fully-owned subsidiary in Vietnam called JENGYANG ELECTRONICS COMPANY LIMITED (the "Vietnam Subsidiary"), and purchased land to build a factory, with the approval of the Company's Board on December 5, 2024. On behalf of the subsidiary, the Company signed a memorandum of land purchase with VIK HUNG YEN INDUSTRIAL PARK INVESTMENT AND DEVELOPMENT LIMITED LIABILITY COMPANY on February 21, 2025. Following the establishment of the Vietnam Subsidiary in the third quarter of 2025, the both parties agreed on August 27, 2025 to terminate the original memorandum of understanding for the purchase of land and refund the previously paid amount of VND \$39,703,125 thousand (approximately USD \$1,588 thousand). Subsequently, the acquisition of the land of-use rights was undertaken by the Vietnam Subsidiary, who entered into a lease agreement, which runs between the period of 2025 and 2071, with the original landowner, for a total consideration of VND\$105,292,688 thousand (approximately USD\$3,970 thousand), equivalent to \$112,193 thousand, which was fully paid on November 4, 2025, where the title deed was obtained and a right of use asset was recognized for the construction of a plant.

(iii) Pledge to guarantee

As of December 31, 2025 and 2024, the investments accounted for using equity of the Company had not been pledged as collateral.

(f) Property, plant and equipment

(i) The cost, depreciation and impairment of the property, plant equipment of the Company for the years ended December 31, 2025 and 2024 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Total</u>
Cost or deemed cost:						
Balance on January 1, 2025	\$ 532,216	261,872	309,705	35,492	40,270	1,179,555
Additions	-	2,324	37,174	4,786	1,766	46,050
Disposals	-	-	(27,207)	(2,862)	(1,130)	(31,199)
Balance on December 31, 2025	<u>\$ 532,216</u>	<u>264,196</u>	<u>319,672</u>	<u>37,416</u>	<u>40,906</u>	<u>1,194,406</u>
Balance on January 1, 2024	\$ 558,247	238,971	305,876	33,293	39,902	1,176,289
Additions	-	22,901	5,299	4,551	2,608	35,359
Disposals	(26,031)	-	(1,470)	(2,352)	(2,240)	(32,093)
Balance on December 31, 2024	<u>\$ 532,216</u>	<u>261,872</u>	<u>309,705</u>	<u>35,492</u>	<u>40,270</u>	<u>1,179,555</u>
Depreciation and impairments loss:						
Balance on January 1, 2025	\$ -	176,024	262,593	27,526	34,521	500,664
Depreciation	-	7,395	21,224	2,511	2,616	33,746
Disposals	-	-	(24,374)	(2,862)	(1,130)	(28,366)
Balance on December 31, 2025	<u>\$ -</u>	<u>183,419</u>	<u>259,443</u>	<u>27,175</u>	<u>36,007</u>	<u>506,044</u>
Balance on January 1, 2024	\$ -	169,222	240,817	27,822	33,327	471,188
Depreciation	-	6,802	23,246	1,808	3,419	35,275
Disposals	-	-	(1,470)	(2,104)	(2,225)	(5,799)
Balance on December 31, 2024	<u>\$ -</u>	<u>176,024</u>	<u>262,593</u>	<u>27,526</u>	<u>34,521</u>	<u>500,664</u>

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Total</u>
Carrying value:						
Balance on December 31, 2025	\$ <u>532,216</u>	<u>80,777</u>	<u>60,229</u>	<u>10,241</u>	<u>4,899</u>	<u>688,362</u>
Balance on January 1, 2024	\$ <u>558,247</u>	<u>69,749</u>	<u>65,059</u>	<u>5,471</u>	<u>6,575</u>	<u>705,101</u>
Balance on December 31, 2024	\$ <u>532,216</u>	<u>85,848</u>	<u>47,112</u>	<u>7,966</u>	<u>5,749</u>	<u>678,891</u>

(ii) On July 12, 2024, the Company signed a land sale contract with an unrelated party, Zhang Gao-Xiang, to sell the land located at No. 82, Wugu Wang Section, Sanchong. The total sale price was \$120,289 thousand, and the land transfer was completed in August 2024, recognizing a disposal gain of \$94,258 thousand. Please refer to Note 6(q) for details.

(iii) Please refer to Note 8 for the details of property, plant and equipment pledged as collateral for loans.

(g) Investment property

The movements in the investment property is as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2025	\$ <u>52,807</u>	<u>12,375</u>	<u>65,182</u>
Balance on December 31, 2025	\$ <u>52,807</u>	<u>12,375</u>	<u>65,182</u>
Balance on January 1, 2024	\$ <u>52,807</u>	<u>12,375</u>	<u>65,182</u>
Balance on December 31, 2024	\$ <u>52,807</u>	<u>12,375</u>	<u>65,182</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2025	\$ <u>-</u>	<u>12,375</u>	<u>12,375</u>
Balance on December 31, 2025	\$ <u>-</u>	<u>12,375</u>	<u>12,375</u>
Balance on January 1, 2024	\$ <u>-</u>	<u>12,375</u>	<u>12,375</u>
Balance on December 31, 2024	\$ <u>-</u>	<u>12,375</u>	<u>12,375</u>
Carrying value:			
Balance on December 31, 2025	\$ <u>52,807</u>	<u>-</u>	<u>52,807</u>
Balance on January 1, 2024	\$ <u>52,807</u>	<u>-</u>	<u>52,807</u>
Balance on December 31, 2024	\$ <u>52,807</u>	<u>-</u>	<u>52,807</u>
Fair value:			
Balance on December 31, 2025			\$ <u>331,990</u>
Balance on December 31, 2024			\$ <u>333,688</u>

(i) The fair value of investment property is the evaluation basis concluded by the Company based on a comparative approach (taking into account of information such as the prices of houses sold by the real estate agents and the registered actual purchase prices of real estate), and the input values used in its fair value valuation techniques are Level 3.

(ii) As of December 31, 2025 and 2024, the details of investment property pledged as collateral, please refer to Note 8.

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

## (h) Short-term borrowings

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Bank borrowings	<u>\$ 160,000</u>	<u>-</u>
Unused credit lines	<u>\$ 240,000</u>	<u>400,000</u>
Range of interest rates	<u>2%</u>	<u>-</u>

For the collateral for short-term borrowings, please refer to Note 8.

## (i) Accounts payable(including related parties)

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Payables to suppliers	<u>\$ 150,497</u>	<u>115,979</u>

## (j) Operating leases

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to Note 6(g) that sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Less than one year	\$ 3,589	4,507
One to two years	1,200	3,589
Two to three years	1,200	1,200
Three to four years	1,157	1,200
Four to five years	1,143	1,157
More than five years	<u>1,143</u>	<u>2,286</u>
	<u>\$ 9,432</u>	<u>13,939</u>

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**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Present value of defined benefit obligations	\$ 114,386	109,532
Fair value of plan assets	(249,999)	(227,977)
Net defined benefit liabilities	<u>\$ (135,613)</u>	<u>(118,445)</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$249,999 thousand as of December 31, 2025. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the years ended December 31, 2025 and 2024 were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Defined benefit obligations at, January 1	\$ 109,532	112,294
Current service costs and interest	2,248	1,988
Remeasurements of the net defined benefit liability (asset):		
— Experience adjustments	5,155	3,413
— Actuarial gains arose from changes in financial assumption	1,721	(2,232)
Benefits paid	(4,270)	(5,931)
Defined benefit obligations at December 31	<u>\$ 114,386</u>	<u>109,532</u>

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the years ended December 31, 2025 and 2024 were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Fair value of plan assets at January 1	\$ 227,977	206,543
Interest income	3,700	2,726
Remeasurements of the net defined benefit liability (asset):		
– Return on plan assets excluding interest income	15,719	18,131
Contributions paid by the employer	6,873	6,508
Benefits paid	(4,270)	(5,931)
Fair value of plan assets at December 31	<u>\$ 249,999</u>	<u>227,977</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company in the years ended December 31, 2025 and 2024 were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Current service cost	\$ 495	528
Net interest of net defined benefit asset	(1,947)	(1,266)
	<u>\$ (1,452)</u>	<u>(738)</u>

  

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Operating cost	\$ (1,117)	(524)
Selling expenses	(107)	(69)
Administration expenses	(92)	(58)
Research and development expenses	(136)	(87)
	<u>\$ (1,452)</u>	<u>(738)</u>

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

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

The Company's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2025 and 2024, are as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Cumulative amount on January 1	\$ (16,472)	478
Recognized during the year	(8,843)	(16,950)
Cumulative amount on December 31	<b>\$ (25,315)</b>	<b>(16,472)</b>

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Discount rate	1.40%	1.60%
Future salary increase rate	1.75%	1.75%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2025 is \$6,873 thousand.

The weighted average lifetime of the defined benefits plans is 11 years.

- 7) Sensitivity Analysis

As of December 31, 2025 and 2024, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Impact on the present value of defined benefit obligation</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2025		
Discount rate(change 0.25%)	\$ (2,189)	2,265
Future salary increase rate(change 0.25%)	2,205	(2,142)
December 31, 2024		
Discount rate(change 0.25%)	(1,898)	1,958
Future salary increase rate(change 0.25%)	1,902	(1,853)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2025 and 2024.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$9,821 thousand and \$8,926 thousand for the years ended December 31, 2025 and 2024, respectively.

(l) Income taxes

(i) The components of income tax of the Company in the years ended December 31, 2025 and 2024 were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Current tax expense		
Land value increment tax	\$ -	11,535
Adjustment for prior years	(393)	(236)
Additional tax on undistributed earnings	<u>3,941</u>	<u>662</u>
	<u>3,548</u>	<u>11,961</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>21,452</u>	<u>9,003</u>
Income tax expense from continuing operations	<u>\$ 25,000</u>	<u>20,964</u>

(ii) Reconciliation of income tax and profit before tax from 2025 and 2024 was as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Profit excluding income tax	\$ <u>99,271</u>	<u>163,039</u>
Income tax using the Company's domestic tax rate	\$ 19,854	32,608
Non-deductible expenses	(808)	(999)
Tax-exempt income from disposal of land	-	(18,852)
Effect of tax on land value income tax	-	11,535
Adjustment for prior years	(393)	(236)
Additional tax on undistributed earnings	3,941	662
Recognition of investment gain under the equity method	(14,527)	(15,011)
Others	<u>16,933</u>	<u>11,257</u>
Income tax expense	<u>\$ 25,000</u>	<u>20,964</u>

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

## (iii) Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Change in amount of deferred tax assets and liabilities for 2025 and 2024 were as follows:

Deferred tax assets:

	<u>Allowance for Impairment Loss</u>	<u>Unrealized Foreign Exchange Loss</u>	<u>Unrealized Loss on Inventory</u>	<u>Loss Carry forwards</u>	<u>Total</u>
<b>Balance on January 1, 2025</b>	\$ 1,279	-	6,683	14,543	22,505
Credit on income statement	(665)	-	(900)	(2,557)	(4,122)
<b>Balance on December 31, 2025</b>	<u>\$ 614</u>	<u>-</u>	<u>5,783</u>	<u>11,986</u>	<u>18,383</u>
<b>Balance on January 1, 2024</b>	\$ 1,142	1,420	9,307	8,654	20,523
Credit on income statement	137	(1,420)	(2,624)	5,889	1,982
<b>Balance on December 31, 2024</b>	<u>\$ 1,279</u>	<u>-</u>	<u>6,683</u>	<u>14,543</u>	<u>22,505</u>

Deferred tax liabilities:

	<u>Gain on Investment in Equity</u>	<u>Defined Benefit Plans</u>	<u>Unrealized Foreign Exchange Gain</u>	<u>Land value increment tax</u>	<u>Total</u>
<b>Balance on January 1, 2025</b>	\$ 102,670	2,930	630	100,940	207,170
Credit on income statement	15,562	1,664	104	-	17,330
<b>Balance on December 31, 2025</b>	<u>\$ 118,232</u>	<u>4,594</u>	<u>734</u>	<u>100,940</u>	<u>224,500</u>
<b>Balance on January 1, 2024</b>	\$ 88,502	1,480	-	106,203	196,185
Credit on income statement	14,168	1,450	630	(5,263)	10,985
<b>Balance on December 31, 2024</b>	<u>\$ 102,670</u>	<u>2,930</u>	<u>630</u>	<u>100,940</u>	<u>207,170</u>

(iv) The Company's tax returns for the years through 2023 were assessed by the Taipei National Tax Administration.

## (m) Capital and other equity

## (i) Ordinary shares

As of December 31, 2025 and 2024, the company authorized and paid-in capital are \$1,600,000 thousand and 1,438,000 thousand, respectively, with issuance of common shares of \$143,800 thousand.

## (ii) Capital surplus

The components of the capital surplus are as follows :

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Treasury share transactions	\$ 69,337	69,337
Gain on disposal of assets	8,597	8,597
	<u>\$ 77,934</u>	<u>77,934</u>

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
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According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The company's dividend policy was determined to certain factors of consideration, including the current and future develop plans, investment environment, cash demand, domestic and overseas competition and the interests of the shareholders. The board of directors will propose the distribution to the general meeting of the shareholders.

The dividend may be distributed in cash or in stock. The cash dividend shall not be less than 50% of the total dividend to the shareholders.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In first-time adoption of the IFRSs endorsed by the FSC, by choosing to apply exemptions granted under IFRS 1 "First-time Adoption of International Financial Reporting Standards", the cumulative translation adjustments (gains) incurred from unrealized revaluation increments under shareholders' equity being reclassified into the increase of retained earnings is \$240,565 thousand at the adoption date. According to the regulations. In accordance with Ruling of NO.1010012865 issued by the FSC dated April 6, 2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant assets are used, disposed of, or reclassified, these special earnings reserve shall be reversed as distributable earnings proportionately. Due to the disposal of property, plant, and equipment, the Company reversed special surplus reserves of \$8,452 thousand in 2024. As of December 31, 2025 and 2024, the special earnings reserve was both \$232,113 thousand.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

In addition, according to the above Ruling , the difference between the net reduction of other shareholders' equity in the current year and the above special earnings reserve shall be appropriated from the current period earnings and undistributed prior year earnings; the prior -period reduction of other shareholders' equity shall be appropriated from the undistributed prior -period earnings and shall not be used for earnings distribution.

Subsequent reversals of the net reduction of other shareholders' equity will be qualified for additional distribution proportionally.

3) Earnings distribution

The amounts of cash dividends on the 2024 earnings distribution had been approved during the shareholders' meeting on June 20 2025. The relevant dividend distributions to shareholders were as follows:

	<b>2024</b>	
	<b>Amount per share</b>	<b>Total amount</b>
Dividends distributed to ordinary shareholders		
Cash	\$ <b>0.50</b>	<b>71,900</b>

The amounts of cash dividends on the 2023 earnings distribution had been approved during the shareholders' meeting on June 21 2024. Apart from allocating the statutory surplus reserve, no dividends were proposed to be distributed.

The detailed information could obtained from the "Market Observation Post System".

(iv) Other equity (net of tax)

	<b>Exchange differences on translation of foreign financial statements</b>
Balance at January 1, 2025	\$ (35,391)
Exchange differences on foreign operations	(34,276)
Balance at December 31, 2025	<b>\$ (69,667)</b>
Balance at January 1, 2024	\$ (87,819)
Exchange differences on foreign operations	52,428
Balance at December 31, 2024	<b>\$ (35,391)</b>

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

## (n) Earnings per share

The calculation of basic and diluted earnings per share of the Company were follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders for the Company	\$ <u>74,271</u>	<u>142,075</u>
Weighted-average number of ordinary shares	<u>143,800</u>	<u>143,800</u>
	<u>\$ 0.52</u>	<u>0.99</u>
<b>Diluted earnings per share</b>		
Profit attributable to ordinary shareholders for the Company	\$ <u>74,271</u>	<u>142,075</u>
Weighted-average number of ordinary shares	143,800	143,800
Effect of diluted potential ordinary shares		
Employee's stock compensation	177	111
Weighted-average number of ordinary shares (after the adjustment of diluted ordinary shares)	<u>143,977</u>	<u>143,911</u>
	<u>\$ 0.52</u>	<u>0.99</u>

## (o) Revenue from contracts with customers

## (i) Disaggregation of revenue

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Primary geographic markets:		
Taiwan	\$ 359,419	343,339
Asia	133,026	77,994
America	462,285	378,976
Others	2,081	5,278
Total	<u>\$ 956,811</u>	<u>805,587</u>
Main products/service lines:		
Revenue from sale of goods	<u>\$ 956,811</u>	<u>805,587</u>

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

## (ii) Contract balances

	<b>December 31, 2025</b>	<b>December 31, 2024</b>	<b>January 1, 2024</b>
Notes Receivable	\$ 3,459	4,809	17,519
Accounts receivable	226,081	242,598	164,286
Accounts receivable - related parties	42,524	31,059	28,280
Less: Loss allowance	(3,069)	(7,462)	(7,462)
Total	<u>\$ 268,995</u>	<u>271,004</u>	<u>202,623</u>
Contract liabilities	<u>\$ 10,822</u>	<u>11,822</u>	<u>17,710</u>

For details of notes and accounts receivable and allowance for impairment, please refer to Note 6(c).

The amount of revenue recognized for the years ended December 31, 2025 and 2024, that was included in the contract liability balance at the beginning of the period were \$10,054 thousand and \$14,761 thousand, respectively.

## (p) Remuneration to employees and directors

On June 20, 2025, the Company resolved at its shareholders' meeting to amend its Articles of Incorporation. Under the revised articles, if the Company incurs profit for the year, the profit should first be used to offset against any accumulated deficits. Thereafter, 3% to 5% of the profit before tax (in form of stock or cash) shall be appropriated as employee remuneration (of which, a minimum of 20% shall be reserved specifically for frontline employees); recipients may include employees of the Company's subsidiaries who meet certain requirements. Moreover, a maximum of 2% of the remaining profit shall be appropriated as directors' remuneration. The distribution shall first be resolved by the Board then reported at the shareholders' meeting.

Under the Articles of Incorporation prior to the amendment, if the Company incurs profit for the year, the profit should first be used to offset against any accumulated deficits. Thereafter, a minimum of 0.5% of the profit before tax (in form of stock or cash) shall be appropriated as employee remuneration; recipients may include employees of the Company's subsidiaries who meet certain requirements. Moreover, a maximum of 2% of the remaining profit shall be appropriated as directors' remuneration. The distribution shall first be resolved by the Board then reported at the shareholders' meeting.

Prior years' accumulated deficit is used at first to offset the profit before any appropriation, then calculate the compensation to employees and remuneration to directors and supervisors by the appropriate ratio.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

The compensations to employees amounted to \$3,102 thousand and \$3,362 thousand , and the remunerations to directors and supervisors amounted to \$1,034 thousand and \$1,681 thousand for the years ended December 31, 2025 and 2024, respectively. These amounts were calculated at the Company's net income before tax and before the compensation to employees and remuneration to directors and supervisors for each period, multiplied by the percentage under the Company's Article. These compensations and remunerations were estimated and recognized as expenses in the current year. If there are any subsequent adjustments to the actual amounts in the next year, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. If compensations to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensations by the closing market price per share on the day preceding the board of directors' meeting.

The remuneration to employees and directors recognized in the financial statements and approved in the board of director's meeting were as follows. If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

	<b>For the years ended December 31</b>			
	<b>2025</b>		<b>2024</b>	
	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>	<b>Employees' Compensation</b>	<b>Remuneration of Directors</b>
Amounts approved in the board of directors' meeting	\$ -	-	3,362	600
Amounts recognized in the financial statements	\$ 3,102	1,034	3,362	1,681

The decisions for the year 2025 are still pending approval by the Board of Directors. Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

(q) Non-operating income and expenses

(i) Interest income

The details of interest income of the Company were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Bank deposits	\$ 7,166	2,718

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

## (ii) Other income

The details of other income of the Company were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Rent income	\$ 4,507	4,507
Other income—others	2,323	488
	<b>\$ 6,830</b>	<b>4,995</b>

## (iii) Other gains and losses

The details of other gains and losses of the Company were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Net foreign exchange gain	\$ 996	18,102
Others	(47)	(29)
Other gains and losses, net	<b>\$ 949</b>	<b>18,073</b>

## (iv) Finance costs

The details of finance costs of the Company were as follows:

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
Interest on bank loans	\$ 1,138	-
Interest on lease liabilities	-	1
	<b>\$ 1,138</b>	<b>1</b>

## (v) (Losses) gains on disposals of property, plant and equipment

	<b>For the years ended December 31</b>	
	<b>2025</b>	<b>2024</b>
(Losses) gains on disposals of property, plant and equipment	<b>\$ (1,015)</b>	<b>94,828</b>

## (r) Financial instruments

## (i) Credit Risk

- 1) The carrying amount of financial assets and contract assets represent the maximum amount exposed to credit risk.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

- 2) The Company's main sales targets are domestic and foreign companies with good credit ratings. In addition to granting credit lines to customers in accordance with the credit procedures, the Company continues to understand the credit status of its customers, and for the years ended December 31, 2025 and 2024, the amount of accounts receivable from customers that accounted for more than 10% of the Company's accounts receivable and accounts payable (including related parties) was \$151,420 thousand and \$163,082 thousand, respectively, which resulted in the Company having a concentration of credit risk in its accounts receivable. However, the Company assesses the possibility of recovering accounts receivable on a regular basis, and provides for appropriate allowances for loss, and the management anticipates that it will not have a significant loss in the future.

- 3) Accounts receivable of credit risk

For credit risk exposure of notes and accounts receivables, please refer to Note 6(c).

The Company's other financial assets at amortized cost include other receivables and time deposits, are low risk. Therefore, the impairment provision recognized during the period was limited to 12 months expected credit losses.

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-3 years</u>	<u>3-5years</u>	<u>Over 5 years</u>
<b>December 31, 2025</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 160,000	160,889	160,889	-	-	-
Payable (current and non-current)	<u>232,642</u>	<u>232,642</u>	<u>232,642</u>	-	-	-
	<u>\$ 392,642</u>	<u>393,531</u>	<u>393,531</u>	-	-	-
<b>December 31, 2024</b>						
Non-derivative financial liabilities						
Payable (current and non-current)	\$ <u>195,602</u>	<u>195,602</u>	<u>195,602</u>	-	-	-

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant financial assets and liabilities exposed to exchange rate risk were as follows:

	December 31, 2025			December 31, 2024			
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD:NTD	\$	15,574	31.380	488,718	5,871	32.735	192,197
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD:NTD		904	31.380	28,374	202	32.735	6,598

2) Sensitivity analysis

The Company's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payable that are denominated in foreign currency. If the TWD, when compared with each major foreign currency, had appreciated or depreciated 1% (with other factors remaining constant on the reporting date), net profit before tax would have respectively increased or decreased by \$3,683 thousand and \$1,485 thousand for the year ended December 31, 2025 and 2024, respectively. The analysis is performed on the same basis for both periods.

As the Company deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2025 and 2024, foreign currency exchange gains (including realized and unrealized) amounted \$996 thousand and \$18,102 thousand, respectively.

(iv) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

<u>December 31, 2025</u>	<u>Book Value</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income - non current	\$ -	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 233,567				
Financial assets measured at amortized cost - current	141,210				
Notes and accounts receivable (including related parties)	268,995				
Other receivable	4,227				
Refundable deposits	1,039				
	<u>\$ 649,038</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 160,000				
Notes and accounts payable (including related parties)	154,736				
Other payables (including related parties)	77,906				
	<u>\$ 392,642</u>				
<u>December 31, 2024</u>	<u>Book Value</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through other comprehensive income - non current	\$ -	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 147,352				
Financial assets measured at amortized cost - current	114,821				
Notes and accounts receivable (including related parties)	271,004				
Other receivable (including related parties)	1,426				
Refundable deposits	976				
	<u>\$ 535,579</u>				

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

<u>December 31, 2024</u>	<u>Book Value</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	\$ 121,356				
Other payables (including related parties)	74,246				
	<u>\$ 195,602</u>				

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

a) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

The book values of the Company's loans and receivables, financial assets carried at cost, and financial liabilities measured at amortized cost are similar to their fair values.

3) Valuation techniques for financial instruments measured at fair value

The Company holds equity instruments with no quoted market prices that have no active market:

a) The Company holds equity instruments with no quoted market prices that have no active market:

Fair value is estimated using a discounted cash flow model, the key assumption of which is to measure the investee's expected future cash flows by discounting them at a rate of return that reflects the time value of money and the risk of the investment.

4) Transfers between levels

There were no transfers of financial instruments held by the Company for the years ended December 31, 2025 and 2024.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

(s) Financial risk management

(i) Overview

The Company have exposures to the following risks from its financial instruments:

- 1) credit risk
- 2) liquidity risk
- 3) market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Board of Directors is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Board of Directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents and receivables from customers.

At December 31, 2025 and 2024, no other guarantees were outstanding.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's treasury department monitors the liquidity risk, continues to monitor actual cash flow level, predicts and controls the cash flow levels in short-term and long-term periods, invests the surplus cash flow in bank deposit with adequate maturity or short-term investments to ensure the sufficient liquidity of the Company to meet the liability that will due soon.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

In order to manage the risk of changes in exchange rate and market price of beneficiary certificates, all of the significant transactions shall be reviewed and approved by the board of directors in advance. The relevant financial operations are monitored by internal audit. The management processes are as follows:

- 1) The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Company, mainly the US Dollar (USD). When a short-term imbalance of financial assets and liabilities in foreign currency occurs, the Company will maintain the net exposure risk at an acceptable level through buying or selling foreign currency at current rate.
- 2) Every significant investment of the Company's portfolio is managed individually, and all the decisions on transactions are approved by the Board of Directors.

(t) Capital management

Because the Company needs to maintain a large amount of capital to meet the needs of expansion and upgrading of plant and equipment. Therefore, the Company's capital management is to ensure that it develops the necessary financial resources and operating plans to meet the needs of working capital, capital expenditures, research and development expenses, and dividend payments in the next 12 months.

The Company and other entities in the same industry use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, other equity and non controlling interests plus net debt.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

As of December 31, 2025, the Company's capital management strategy is consistent with the prior year and ensure financing at reasonable cost. The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2025 and 2024, were as follows:

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Total liabilities	\$ 632,283	415,916
Less: cash and cash equivalents	<u>(233,567)</u>	<u>(147,352)</u>
Net debt	398,716	268,564
Total equity	<u>2,250,713</u>	<u>2,273,775</u>
Adjusted equity	<u>\$ 2,649,429</u>	<u>2,542,339</u>
Debt-to-equity ratio	<u>15 %</u>	<u>11 %</u>

The Board manages capital by optimizing debt and equity balances in order to maximize shareholder returns. As of December 31, 2025, the increase in the debt-to-equity ratio was due to the increase in loans. As of December 31, 2025, the Company's capital management strategy is consistent with the prior year.

**(7) Related-party transactions**

**(a) Names and relationship with related parties**

The followings are entities that have had transactions with the Company's subsidiaries and related parties during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Cheng Fwa Industrial Co., Ltd. (Samoa)	Subsidiary
Changzhou Jengyang Electronics Co., Ltd. (Changzhou Jengyang)	Subsidiary
Da Sun Plastic Industrial Co.,Ltd (Dasun Plastic)	Subsidiary
JENGYANG ELECTRONICS COMPANY LIMITED (JENGYANG ELECTRONICS)	Subsidiary
United Sheetmetal,Inc.(USI)	The entity's chairman is the second immediate family of the chairman of the Company
Shang Shun Precision Industrial Co., Ltd. (Shang Shun)	The entity's chairman is the second immediate family of the chairman of the Company
Asia Partners International Trading, Inc. (Asia Partners)	The entity's chairman is the second immediate family of the chairman of the Company
Tai Yang Co.,Ltd(Tai Yang)	Same chairman as the Company

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

<u>Name of related party</u>	<u>Relationship with the Company</u>
Sheng Teng International Co.,Ltd(Sheng Teng)	The entity's chairman is the second immediate family of the chairman of the Company
Shang Ye Co.,Ltd(Shang Ye)	The entity's chairman is the second immediate family of the chairman of the Company
Kai Da Investment Co.,Ltd(Kai Da)	The entity's chairman is the second immediate family of the chairman of the Company
Shi Chen Investment Co.,Ltd(Shi Chen)	The entity's chairman is the second immediate family of the chairman of the Company

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales by the Company to related parties were as follows:

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
USI	\$ 155,968	77,242
Subsidiaries	<u>15,630</u>	<u>16,783</u>
	<u>\$ 171,598</u>	<u>94,025</u>

The sales price and terms of above transactions are based on the general sales price; However, the affiliated Company is a foreign agent, due to consideration of the overseas delivery time, the payment term is 3 to 6 months, which is slightly longer than that of general customers.

(ii) Purchases

1) The amounts of significant purchases by the Company from related parties were as follows:

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Subsidiaries	\$ 75,673	37,251
Shang Shun	<u>908</u>	<u>2,759</u>
	<u>\$ 76,581</u>	<u>40,010</u>

Transaction terms for the above are the same as those for ordinary transactions.

2) The amount of process and other between the Company and related parties were as follows:

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Subsidiaries	\$ 187	276
Shang Shun	<u>7,939</u>	<u>7,708</u>
	<u>\$ 8,126</u>	<u>7,984</u>

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

The processing cost is based on the general price of processing services. The major payment term is 3 months after monthly settlement.

- 3) The amounts of services purchased by the Company from related parties were as follows:

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Asia Partners	<u>\$ 3,000</u>	<u>3,000</u>

Transaction terms for the above are the same as those for ordinary transactions.

- (iii) Receivables from related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Notes receivable	Dasun Plastic	\$ 701	2,515
Accounts receivables	USI	42,263	30,441
Accounts receivables	Subsidiaries	<u>128</u>	<u>524</u>
		<u>\$ 43,092</u>	<u>33,480</u>

- (iv) Payables

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts payables	ChangZhou Jenyang	\$ 23,696	4,244
Accounts payables	Shang Shun	1,889	3,110
Other payables	Asia Partners	<u>263</u>	<u>263</u>
		<u>\$ 25,848</u>	<u>7,617</u>

- (v) Contrant liabilities

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Contrant liabilities	USI	<u>\$ 3,133</u>	<u>4,028</u>

- (vi) Other current liabilities

Details of advance receipts from related parties to the Company were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Advance rent receipts	Other related parties	<u>\$ 14</u>	<u>14</u>

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

## (vii) Leases

- 1) The Company rents out part of its factory and office to fulfill related parties' business requirements. The rental revenues for the years ended December 31, 2025 and 2024 both were amounted to \$1,200 thousand.
- 2) These leases are handled at common market prices and rents are collected semi-annually according to the contract between both parties.

## (viii) Other

For the years ended December 31, 2025 and 2024, the Company charged miscellaneous income from related parties amounted to \$99 thousand and \$188 thousand, respectively.

## (c) Key management personnel compensation

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Short-term employee benefits	<u>\$ 10,074</u>	<u>14,282</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Property, plant and equipment	Short-term loans	\$ 486,145	486,553
Investment property	Short-term loans	<u>52,807</u>	<u>52,807</u>
		<u>\$ 538,952</u>	<u>539,360</u>

**(9) Commitments and contingencies:**

## (a) Unrecognized contractual commitments

The Company's unrecognized contractual commitments are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Total contract prices	<u>\$ 5,056</u>	<u>17,027</u>
Accounted amount	<u>\$ 2,152</u>	<u>8,340</u>

**(10) Losses Due to Major Disasters:None****(11) Subsequent Events:None**

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

**(12) Other**

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2025			2024		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		\$ 167,720	87,133	254,853	148,984	80,048	229,032
Labor and health insurance		18,848	7,941	26,789	16,447	7,250	23,697
Pension		4,534	3,835	8,369	4,589	3,599	8,188
Remuneration of directors		-	674	674	-	2,131	2,131
Others		13,441	4,280	17,721	12,497	3,885	16,382
Depreciation		28,940	4,806	33,746	30,414	5,167	35,581
Amortization		137	88	225	123	88	211

For the years ended December 31, 2025 and 2024, the information on the number of employees and employee benefit expense of the Company is as follows:

	For the years ended December 31	
	2025	2024
Number of employees	<u>351</u>	<u>338</u>
Number of directors (non-employee)	<u>4</u>	<u>4</u>
Average employee benefit expense	<u>\$ 887</u>	<u>830</u>
Average employee salary expense	<u>\$ 734</u>	<u>686</u>
Percentage of average employee salary expense	<u>7 %</u>	<u>10 %</u>
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy, including that for directors, managers and employees, are as follows:

- (i) Remuneration to directors: the remuneration distribution for each director will be proposed by the board chairman and submitted to the salary and remuneration committee for approval.
- (ii) Managers: The remuneration to the Company's managers is reviewed by the remuneration committee and submitted to the board of directors for resolution based on their duties, contributions, Company operating performance for the year and consideration of the Company's future risks.
- (iii) Employee: The Company is devoted to provide employees with salary and benefits that will be above the average level of the industry. Compensation to employee includes monthly salaries and bonuses based on duties, contributions and performance.

**(b) Others**

The amount of donations made by the Company to the government, foundation, election candidate and association of New Taipei City for the years ended December 31, 2025 and 2024 were \$2,469 thousand and \$4,299 thousand, respectively. The donation was for the purpose of sponsoring remote schools, rehabilitation bus, etc.

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

**(13) Other disclosures**

## (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

## (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits (Note 3)	Maximum limit of fund financing (Note 2)
													Item	Value		
0	The Company	Changzhou Jenyang Electronics Co.,Ltd.	Other receivables-related parties	Yes	200,000	-	-	- %	2	-	Operation requirements	-		-	562,678 (Note 3)	900,285 (Note 2)

Note1: 1 For business transactions.

2 For the necessity of short-term financing.

Note2: The Company’s total amount available for lending shall not exceed 40% of its net worth.

Note3: For subsidiaries requiring short-term financial accommodation, the individual amount available for lending shall not exceed 25% of its net worth in the most recent financial statements.

Note4: The aforementioned intercompany transactions have been eliminated in the consolidated financial statements.

## (ii) Guarantees and endorsements for other parties:None

## (iii) Securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Super Telecom Co.,Ltd. -stock	-	Financial assets at fair value through other comprehensive income - non current	3,120,000	\$ -	10.06%	-	Note

Note1 : The Company was deregistered in 2021.

## (iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Cheng Fwa Industrial Co.,Ltd.	USI	The entity's chairman is the second immediate family of the chairman of the Company	Sale	155,968	8.87%	3 to 6 months	-	-	42,263	7.92%	-
Changzhou Jenyang Electronics Co.,Ltd.	USI	The entity's chairman is the second immediate family of the chairman of the Company	Sale	343,292	19.52%	3 to 6 months	-	-	76,736	14.38%	-

## (v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:None

(Continued)

**CHENG FWA INDUSTRIAL CO., LTD.**  
**Notes to the Financial Statements**

## (b) Information on investees:

The following is the information on investees for the years ended December 31, 2025 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of ownership	Carrying value			
Cheng Fwa Industrial Co., Ltd.	Cheng Fwa Industrial Co., Ltd. (Samoa)	Samoa	Manufacture and production of industrial computer casings and their accessories	\$ 563,947	563,947	16,500,000	100.00 %	1,154,652	75,840	75,840	
Cheng Fwa Industrial Co., Ltd.	Da Sun Plastic Industrial Co., Ltd.	Taiwan	Plastic Products Manufacturing	40,317	40,317	4,031,666	89.59 %	38,752	(3,563)	(3,206)	
Changzhou Jenyang Electronics Co., Ltd.	JENGYANG ELECTRONICS COMPANY LIMITED	Vietnam	Manufacture and production of industrial computer casings and their accessories	609,925 (USD20,000)	-	-	100.00 %	619,777	(1,179)	(1,179)	Note

Note: JENGYANG ELECTRONICS COMPANY LIMITED was established in the third quarter of 2025 and completed a cash capital increase of USD \$20,000 thousand in October 2025.

## (c) Information on investment in mainland China:

## (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2025	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Changzhou Jenyang Electronic Co., Ltd.	Manufacture and production of industrial computer casings and their accessories	\$ 563,947	(1)	563,947	-	-	563,947	75,840	100.00%	75,840	1,154,652	-
Changzhou Zhuofu Electronic Technology Co., Ltd.	Technical research on LED lamps and cooling modules, etc.	\$ 4,353	(2)	4,353	-	-	4,353	-	14.49%	-	-	-

Note 1: Method of investment is classified into two types:

- 1) Indirectly invested in Mainland China through the third region.
- 2) For direct reinvestment to companies in Mainland land China through investees in Mainland China, Investment Commission, MOEA stipulated that such reinvestment activities in mainland China are not required to be reported. The company was revoked as found on the industrial and commercial registration in Mainland China.

Note 2: As of December 31, 2025, the company indirectly invested in Cheng Fwa Industrial Co., Ltd (Samoa). in mainland Changzhou Jenyang Electronics Co., Ltd. And it has been approved by the Investment Review Committee of the Ministry of Economic Affairs. The approved letters are issued in No. 89.9.25 (89) No. 89021992 , 90.5.16 (90) No. 90013111, 91.9.10 (91) No. 091038052 , 93.7.2 No. 093016406, and 95.7.12 No. 09500199660 respectively.

Note 3: Changzhou Jenyang Electronic Co., Ltd. was recognized as investment income or loss based on the financial statements audited by the same audit team of the Company.

## (ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 563,947	613,367	1,353,129

## (iii) Significant transactions with investee companies in Mainland China: For the Company's significant direct or indirect transactions (eliminated when compiling the consolidated financial statements) with investee companies in Mainland China for the year ended December 31, 2025, please refer to "Information on significant

## (14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2025.

(Continued)

**Cheng Fwa Industrial Co., Ltd.**  
**Statement of cash and cash equivalents**  
**December 31, 2025**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Items</u>	<u>Description</u>	<u>Amount</u>
Cash and petty cash	Cash on hand	\$ <u>620</u>
Bank		
Demand deposits		59,001
Checking accounts deposits		1,639
Foreign currency deposits	USD 3,491 thousand dollars (rate 31.380)	109,547
Time deposits		<u>62,760</u>
		<u>\$ <u>233,567</u></u>

**Statement of accounts receivable**

<u>Client</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Client2020	Non- related parties	\$ 80,699	
Client1070	"	28,326	
Client1213	"	18,648	
Client1069	"	17,504	
Others	"	80,903	The amount of individual client included in others does not exceed 5% of the account balance
Less: allowance for doubtful accounts		<u>(2,935)</u>	
Total		<u>\$ <u>223,145</u></u>	

**Cheng Fwa Industrial Co., Ltd.**

**Statement of changes in investments accounted for using the equity method**

**For the year ended December 31, 2025**

**(Expressed in thousands of New Taiwan Dollars)**

Name of investee	Beginning Balance		Addition		Decrease		Investment Income or loss	Exchange differences on translation of foreign financial statements	Ending Balance			Collateral
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Percentage of ownership	Amount	
Cheng Fwa Industrial Co., Ltd. (Samoa)	16,500,000	\$ 1,113,088	-	-	-	-	75,840	(34,276)	16,500,000	100.00 %	1,154,652	None
Da Sun Plastic Industrial Co., Ltd	4,031,666	45,788	-	-	-	3,830	(3,206)	-	4,031,666	89.59 %	38,752	"
Total		<u>\$ 1,158,876</u>		<u>-</u>		<u>3,830</u>	<u>72,634</u>	<u>(34,276)</u>			<u>1,193,404</u>	

Note 1: The decrease in the current period represents cash dividends of \$3,830 thousand allocated to investee companies recognized under the equity method.

**Cheng Fwa Industrial Co., Ltd.**  
**Statement of changes in property, plant and equipment**  
**For the year ended December 31, 2025**  
**(Expressed in thousands of New Taiwan Dollars)**

Please refer to Note 6(f) for the details.

**Statement of short-term borrowings**  
**December 31, 2025**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Loan Type</u>	<u>Description</u>	<u>Amount</u>	<u>Financing Period</u>	<u>Interest Rates</u>	<u>Credit Line</u>	<u>Mortgage Guarantee</u>
Secured borrowings	Hua Nan Commercial Bank, Ltd. (A)	\$ 100,000	2025.8.25~2026.2.25	2%	400,000	Sanchong Factory
Secured borrowings	Hua Nan Commercial Bank, Ltd.	<u>60,000</u>	2026.12.26~2026.6.26	2%	Use the quota under (A) jointly	Sanchong Factory
		<u>\$ 160,000</u>				

**Cheng Fwa Industrial Co., Ltd.**  
**Statement of operating revenue**  
**For the year ended December 31, 2025**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Unit</u>	<u>Quantity</u>	<u>Amount</u>	<u>Note</u>
Computer case	PCS	1,990,066	\$ 596,145	
Network connector	"	2,923,724	176,500	
Video Decoder Shell	"	70,152	6,875	
Other	"	2,821,191	<u>177,291</u>	
Total			<u><u>\$ 956,811</u></u>	

**Cheng Fwa Industrial Co., Ltd.**  
**Statement of operating costs**  
**For the year ended December 31, 2025**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Balance of merchandise inventory on January 1		\$ 444	
Add: Purchase of Merchandise		5,803	
Balance of merchandise inventory on December 31		<u>(318)</u>	
Merchandise cost		<u>5,929</u>	
Balance of raw material on January 1		6,527	
Add: Purchase of Raw materials		61,938	
Other		142	
Less: Balance of raw material on December 31		(5,904)	
Sale of raw material		(892)	
Transferred to expenses		<u>(605)</u>	
Direct Raw materials		<u>61,206</u>	
Balance of supplies on January 1		28,541	
Add: Purchase of Supplies		261,711	
Other		605	
Less: Balance of supplies on December 31		(34,111)	
Sale of supplies		(2,363)	
Loss on scrapping		(3,489)	
Transferred to expenses		<u>(718)</u>	
Supplies used		<u>250,176</u>	
Direct labor		135,589	
Manufacturing expenses		<u>291,771</u>	
Manufacturing cost		738,742	
Balance of work in process on January 1		64,113	
Add: Purchase of work in process		13,683	
Other		218	
Less: Balance of work in process on December 31		(78,240)	
Sale of Work in process		(32,747)	
Loss on scrapping		(34)	
Transferred to expenses		(530)	
Transfer to machinery		<u>(2,637)</u>	
Cost of finished goods		702,568	
Balance of finished goods on January 1		39,367	
Add: Purchase of Finished goods		58,729	
Other		396	
Less: Balance of finished goods on December 31		(43,808)	
Transferred to expenses		<u>(493)</u>	
Cost of product		756,759	
Sale of raw material		892	
Sale of supplies		2,363	
Sale of work-in process inventory		32,747	
Loss on scrapping		3,523	
Rerersal of write-down of inventories		(4,500)	
Sales of scraps		<u>(1,290)</u>	
Total operating costs		<u><u>\$ 796,423</u></u>	

**Cheng Fwa Industrial Co., Ltd.**  
**Statement of Manufacturing Overhead**  
**For the year ended December 31, 2025**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Indirect labor		\$ 47,930	
Pension		1,860	
Labour and health insurance		5,724	
Packaging fee		19,992	
Processing fee		115,426	
Depreciations		28,940	
Amortization expenses		137	
Repairs and maintenance expense		4,053	
Employee welfare		13,441	
Utilities expense		16,530	
Consumption of supplies		13,799	
Other expense(Note)		<u>23,939</u>	
Total		<u>\$ 291,771</u>	

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

**Cheng Fwa Industrial Co., Ltd.**  
**Statement of operating expenses**  
**For the year ended December 31, 2025**  
**(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Selling Expenses</u>	<u>Administrative Expenses</u>	<u>Research and Development Expenses</u>	<u>Total</u>
Salary expense	\$ 23,971	31,909	31,927	87,807
Insurance expense	2,207	2,774	3,607	8,588
Pension	927	1,323	1,585	3,835
Meal expense	948	1,071	1,539	3,558
Depreciations	462	2,982	1,362	4,806
Amortizations	-	88	-	88
Entertainment expense	3,601	6,063	207	9,871
Commission	10,078	-	-	10,078
Donation outlay	-	2,400	-	2,400
Service fee	101	2,844	3	2,948
Other expenses	<u>5,187</u>	<u>9,341</u>	<u>2,429</u>	<u>16,957</u>
	<u>\$ 47,482</u>	<u>60,795</u>	<u>42,659</u>	<u>150,936</u>