

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

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024**

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The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the consolidated financial statements of Cheng Fwa Industrial Co., Ltd. as of and for the year ended December 31, 2025 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Cheng Fwa Industrial Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Cheng Fwa Industrial Co., Ltd.
Chairman: Tsai Tsung Hsun
Date: March 10, 2026



安侯建業聯合會計師事務所
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Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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(p) "Revenue from contracts with customers" for the details of the revenue recognition during the years.

Description of key audit matter:

The Group are mainly engaged in the manufacture and trading of products. Revenue recognition on the sales of the Group'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 Group 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 Group.

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 Group has been duly disclosed.

2. Inventory valuation

For the accounting policies of inventories, please refer to Note 4 (h); 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 inspection matters:

The inventory of the Group are measured by the lower cost and net realizable value. The Group's product orders and sales prices are deeply affected by the fluctuations in the 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 Group.

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.

Other Matter

Cheng Fwa Industrial Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2025 and 2024, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 consolidated 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	Assets	December 31, 2025		December 31, 2024	
		Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	\$ 808,353	25	640,152	21
1136	Financial assets at amortized cost— current (Note 6(b))	151,555	5	262,120	9
1150	Notes receivable, net (Notes 6(c) and (p))	2,758	-	2,294	-
1170	Accounts receivable, net (Notes 6(c) and (p))	411,810	13	400,967	13
1180	Accounts receivable—related parties, net (Notes 6(c), (p) and 7)	119,004	4	170,568	6
1200	Other receivables, net	17,820	1	22,583	1
1220	Current tax assets	27	-	407	-
130X	Inventories (Note 6(d))	231,820	7	202,090	7
1410	Prepayments	15,023	-	10,636	-
1470	Other current assets	431	-	242	-
		<u>1,758,601</u>	<u>55</u>	<u>1,712,059</u>	<u>57</u>
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income — non current	-	-	-	-
1600	Property, plant and equipment (Notes 6(f) and 8)	964,437	30	988,940	31
1755	Right-of-use assets(Notes 6(f)and 8)	127,797	4	15,862	1
1760	Investment property, net (Notes 6(h)and 8)	128,299	4	135,621	4
1821	Other intangible assets, net	11,662	-	15,472	1
1840	Deferred tax assets (Note 6(m))	24,929	1	22,505	1
1915	Prepayments facilities	62,473	2	16,305	1
1920	Refundable deposits	3,718	-	3,709	-
1975	Net defined benefit asset (Note 6(l))	135,613	4	118,445	4
		<u>1,458,928</u>	<u>45</u>	<u>1,316,859</u>	<u>43</u>
	Total assets	\$ <u>3,217,529</u>	<u>100</u>	<u>3,028,918</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES**Consolidated 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>
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings (Note 6(i))	\$ 200,180	6	-	-
2130	Current contract liabilities(Notes 6(p)and 7)	10,822	1	12,555	1
2150	Notes payable	4,335	-	5,377	-
2170	Accounts payable (Note 6(j))	367,073	11	354,753	12
2180	Accounts payable— related parties (Notes 6(j) and 7)	1,889	-	3,110	-
2200	Other payables	128,527	4	129,252	4
2220	Other payables— related parties(Note 7)	263	-	263	-
2230	Current tax liabilities	11,781	1	14,647	-
2300	Other current liabilities(Note 7)	4,957	-	4,790	-
		<u>729,827</u>	<u>23</u>	<u>524,747</u>	<u>17</u>
Non-Current liabilities:					
2571	Deferred tax liabilities— land value increment tax(Note 6(m))	100,940	3	100,940	3
2572	Deferred tax liabilities— income tax (Note 6(m))	129,963	4	122,464	4
2645	Guarantee deposits received	1,584	-	1,670	-
		<u>232,487</u>	<u>7</u>	<u>225,074</u>	<u>7</u>
	Total liabilities	<u>962,314</u>	<u>30</u>	<u>749,821</u>	<u>24</u>
Equity attributable to owners of parent (Note 6(n)):					
3100	Capital stock	1,438,000	45	1,438,000	47
3200	Capital surplus	77,934	2	77,934	3
Retained earnings:					
3310	Legal reserve	347,056	11	330,308	11
3320	Special reserve	232,113	7	232,113	8
3350	Unappropriated retained earnings	225,277	7	230,811	8
	Total retained earnings	<u>804,446</u>	<u>25</u>	<u>793,232</u>	<u>27</u>
3400	Other equity	(69,667)	(2)	(35,391)	(1)
	Total equity attributable to owners of parent:	<u>2,250,713</u>	<u>70</u>	<u>2,273,775</u>	<u>76</u>
36XX	Non-controlling interests	4,502	-	5,322	-
	Total equity	<u>2,255,215</u>	<u>70</u>	<u>2,279,097</u>	<u>76</u>
	Total liabilities and equity	<u>\$ 3,217,529</u>	<u>100</u>	<u>3,028,918</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES**Consolidated 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)**

	2025		2024	
	Amount	%	Amount	%
4100 Sales Revenue (Notes 6(p)and 7)	\$ 1,758,301	100	1,502,635	100
5110 Cost of sales (Notes 6(d), (l), (q)and 7)	<u>1,421,101</u>	<u>81</u>	<u>1,229,871</u>	<u>82</u>
5900 Gross profit from operations	<u>337,200</u>	<u>19</u>	<u>272,764</u>	<u>18</u>
6000 Operating expenses (Notes 6(c), (l), (q)and 7):				
6100 Selling expenses	83,151	5	74,378	5
6200 Administrative expenses	136,878	8	134,042	9
6300 Research and development expenses	42,659	2	39,814	3
6450 Expected credit gain	<u>(1,224)</u>	<u>-</u>	<u>(1,066)</u>	<u>-</u>
Total operating expenses	<u>261,464</u>	<u>15</u>	<u>247,168</u>	<u>17</u>
6900 Net operating income	<u>75,736</u>	<u>4</u>	<u>25,596</u>	<u>1</u>
7000 Non-operating income and expenses(Note 6(r)):				
7100 Interest income	22,846	1	19,774	1
7010 Other income (Note 7)	24,444	1	22,436	1
7020 Other gains and losses, net	(12,353)	(1)	23,249	2
7050 Finance costs	(1,606)	-	(5)	-
7210 (Losses) gains on disposals of property, plant and equipment (Note 6(f))	<u>(3,272)</u>	<u>-</u>	<u>94,407</u>	<u>6</u>
Total non-operating income and expenses	<u>30,059</u>	<u>1</u>	<u>159,861</u>	<u>10</u>
7900 Profit from continuing operations before tax	105,795	5	185,457	11
7950 Less: Income tax expenses (Note 6(m))	<u>31,899</u>	<u>2</u>	<u>42,900</u>	<u>3</u>
8200 Profit	<u>73,896</u>	<u>3</u>	<u>142,557</u>	<u>8</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss (Note 6(l))				
8311 Gains on remeasurements of defined benefit plans	8,843	1	16,950	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may not be reclassified subsequently to profit or loss	<u>8,843</u>	<u>1</u>	<u>16,950</u>	<u>1</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(34,276)	(2)	52,428	3
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(34,276)</u>	<u>(2)</u>	<u>52,428</u>	<u>3</u>
8300 Other comprehensive income	<u>(25,433)</u>	<u>(1)</u>	<u>69,378</u>	<u>4</u>
8500 Total comprehensive income	<u>\$ 48,463</u>	<u>2</u>	<u>211,935</u>	<u>12</u>
Profit attributable to:				
8610 Profit attributable to owners of parent	\$ 74,271	3	142,075	8
8620 Profit attributable to non-controlling interests	<u>(375)</u>	<u>-</u>	<u>482</u>	<u>-</u>
	<u>\$ 73,896</u>	<u>3</u>	<u>142,557</u>	<u>8</u>
Comprehensive income attributable to:				
8710 Comprehensive income, attributable to owners of parent	\$ 48,838	2	211,453	12
8720 Comprehensive income, attributable to non-controlling interests	<u>(375)</u>	<u>-</u>	<u>482</u>	<u>-</u>
	<u>\$ 48,463</u>	<u>2</u>	<u>211,935</u>	<u>12</u>
Basic earnings per share (Note 6(o))				
9750 Basic earnings per share	\$	<u>0.52</u>		<u>0.99</u>
9850 Diluted earnings per share	\$	<u>0.52</u>		<u>0.99</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the Years Ended December 31, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent					Total other equity interest	Total equity attributable to owners of parent	Non- controlling interests	Total equity
	Share capital	Retained earnings							
		Ordinary shares	Capital surplus	Legal reserve	Special reserve				
Balance on January 1, 2024	\$ 1,438,000	77,934	328,836	240,565	64,806	(87,819)	2,062,322	5,510	2,067,832
Profit	-	-	-	-	142,075	-	142,075	482	142,557
Other comprehensive income	-	-	-	-	16,950	52,428	69,378	-	69,378
Total comprehensive income	-	-	-	-	159,025	52,428	211,453	482	211,935
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	-	-	-	-
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	(670)	(670)
Balance on December 31, 2024	1,438,000	77,934	330,308	232,113	230,811	(35,391)	2,273,775	5,322	2,279,097
Profit (Loss)	-	-	-	-	74,271	-	74,271	(375)	73,896
Other comprehensive income	-	-	-	-	8,843	(34,276)	(25,433)	-	(25,433)
Total comprehensive income	-	-	-	-	83,114	(34,276)	48,838	(375)	48,463
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	16,748	-	(16,748)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(71,900)	-	(71,900)	-	(71,900)
Changes in non-controlling intersets	-	-	-	-	-	-	-	(445)	(445)
Balance on December 31, 2025	\$ 1,438,000	77,934	347,056	232,113	225,277	(69,667)	2,250,713	4,502	2,255,215

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Profit before tax	\$ 105,795	185,457
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	75,992	76,025
Amortization expense	4,596	3,871
Interest expense	1,606	5
Interest income	(22,846)	(19,774)
Loss (gain) on disposals of property, plan and equipment	3,272	(94,407)
Expected credit gains	(1,224)	(1,066)
Depreciation of investment property (as other gains and losses)	5,560	5,756
Effect of exchange rate changes of borrowings	966	-
Total adjustments to reconcile profit	<u>67,922</u>	<u>(29,590)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Notes receivable	(464)	12,419
Accounts receivable (including related parties),net	35,577	(161,236)
Other receivable	5,858	(18,771)
Inventories	(31,535)	(20,273)
Prepayments	(4,402)	(3,864)
Other current assets	(189)	413
Net defined benefit assets, non-current	(8,325)	(7,246)
Total changes in operating assets	<u>(3,480)</u>	<u>(198,558)</u>
Changes in operating liabilities:		
Contract liabilities	(1,701)	(24,208)
Notes payable, net	(1,042)	2,297
Accounts payable (including related parties),net	15,772	116,164
Other payable (including related parties),net	411	12,854
Other current liabilities	237	(600)
Total changes in operating liabilities	<u>13,677</u>	<u>106,507</u>
Total changes in operating liabilities	<u>10,197</u>	<u>(92,051)</u>
Total adjustments	<u>78,119</u>	<u>(121,641)</u>
Cash inflow generated from operations	183,914	63,816
Interest received	21,636	19,717
Interest paid	(1,606)	(5)
Income taxes paid	(29,287)	(21,991)
Net cash flows from operating activities	<u>174,657</u>	<u>61,537</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

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

	<u>2025</u>	<u>2024</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(109,169)	(56,192)
Proceeds from disposal of property, plant and equipment	4,248	121,620
(Increase) decrease in refundable deposits	(62)	383
Acquisition of intangible assets	(13,303)	(17,450)
Acquisition of right-of-use assets	(112,193)	-
Increase financial assets at amortised cost	-	(110,684)
Decrease financial assets at amortised cost	104,665	141,707
Net cash flows (used in) from investing activities	<u>(125,814)</u>	<u>79,384</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	238,429	-
Repayments of short-term borrowings	(39,215)	-
Decrease in guarantee deposits received	(58)	-
Payments of lease liabilities	-	(308)
Cash dividends paid	(71,900)	-
Cash dividends paid to non-controlling interests	(445)	(1,217)
Net cash flows from (used in) financing activities	<u>126,811</u>	<u>(1,525)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(7,453)</u>	<u>16,942</u>
Net increase in cash and cash equivalents	168,201	156,338
Cash and cash equivalents at beginning of period	<u>640,152</u>	<u>483,814</u>
Cash and cash equivalents at end of period	<u><u>\$ 808,353</u></u>	<u><u>640,152</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated 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 consolidated financial statements:

These consolidated 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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated 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 Group 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 consolidated 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”

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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 Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
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"> ● 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. ● 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. ● 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. 	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.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

The Group 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 consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures” and amendments to IFRS 19 “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 consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C.(altogether referred to “IFRS Accounting Standards” endorsed by the “FSC”)

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated 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 liabilities (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 each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar (NTD), which is the Company’s functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

When the Group loses control over a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost, with the resulting gain or loss being recognized in profit or loss. The Group recognizes as gain or loss in profit or loss the difference between (i) the fair value of the consideration received as well as any investment retained in the former subsidiary at its fair value at the date when control is lost ;and (ii) the assets (including any goodwill), liabilities of the subsidiary as well as any related non-controlling interests at their carrying amounts at the date when control is lost, as gain or loss in profit or loss. When the Group loses control of its subsidiary, it accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if it had directly disposed of the related assets or liabilities.

(ii) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Principal activity	Shareholding		Description
			December 31, 2025	December 31, 2024	
The Company	Cheng Fwa Industrial Co., Ltd. (Samoa)	Manufacture and production of industrial computer casings and their accessories	100.00 %	100.00 %	
The Company	Dasun Plastic Industrial CO., Ltd (Dasun Plastic)	Plastic Products Manufacturing	89.59 %	89.59 %	
Cheng Fwa Industrial Co., Ltd. (Samoa)	Changzhou Jenyang Electronics Co., Ltd. (Changzhou Jenyang)	Manufacture and production of industrial computer casings and their accessories	100.00 %	100.00 %	

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name investor	Name of investee	Principal activity	Shareholding		Description
			December 31, 2025	December 31, 2024	
Changzhou Jencyang Electronics Co., Ltd. (Changzhou Jencyang)	JENYANG ELECTRONICS COMPANY LIMITED (JENYANG ELECTRONICS)	Manufacture and production of industrial computer casings and their accessories	100.00 %	- %	Note

Note: JENGYANG ELECTRONICS COMPANY LIMITED was established in the third quarter of 2025.

(iii) Subsidiaries excluded from the consolidated financial statements: None.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities 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 Group 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 Group 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.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized 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.

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

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group 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.

(f) 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.

(g) 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 Group 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.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Group 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.

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 Group 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 Group's right to receive payment is established.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Business model assessment

The Group 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 Group's management;
- 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 Group'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 Group 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 Group 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 Group's claim to cash flows from specified assets (e.g. non-recourse features)

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5) Impairment of financial assets

The Group 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 Group 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.

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 Group 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 Group's historical experience and informed credit assessment as well as forward-looking information.

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

The Group 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 Group 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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECL are discounted at the effective interest rate of the financial asset.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

At each reporting date, the Group 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.

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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group 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 Group 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 Group’s procedures for recovery of amounts due.

6) Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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 Group 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.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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 Group 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.

(h) 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.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

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 Group.

(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	2~61years
2)Machinery	2~16years
3)Office equipment	4~15years
4)Transportation equipment	6years
5)Other equipment	5~40years

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(iv) Reclassification to investment property

A property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(k) Leases

At inception of a contract, the Group 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 Group 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 Group's incremental borrowing rate. Generally, the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee; or

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- 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

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group applies IFRS15 to allocate the consideration in the contract.

The Group 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.

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Group 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 Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(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, 3-10 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 Group 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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group's main types of revenue are explained below.

1) Sale of goods

The Group manufactures and sells electronic components to computer manufacturers. The Group 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 Group 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 Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group 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 group 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 Group'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 Group, 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. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 Group 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 Group 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 Group 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 Group 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. AND SUBSIDIARIES
Notes to the Consolidated 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 Group 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 Group 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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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

In preparing these consolidated 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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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 Group 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 Group 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 Group 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(l) for further description of the actuarial assumptions and sensitivity analysis.

The Group'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 Group 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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to notes listed below for assumptions used in measuring fair value.

(a) Note 6(s), Financial instruments

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash	\$ 954	1,162
Demand deposits	740,958	174,321
Check deposits	3,681	3,190
Time deposits	<u>62,760</u>	<u>461,479</u>
	<u>\$ 808,353</u>	<u>640,152</u>

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

(b) Financial assets at amortized cost

	December 31, 2025	December 31, 2024
<u>Current</u>		
Time deposits with original maturity of more than 3 months	<u>\$ 151,555</u>	<u>262,120</u>

The Group 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 from 1.70% to 4.35%, and 1.25% to 4.40% as of December 31, 2025 and 2024, respectively.

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

(iii) As of December 31, 2025 and 2024, the Group's time deposits were not pledged as collateral.

(c) Accounts receivable (including related parties)

	December 31, 2025	December 31, 2024
Notes Receivable	\$ 2,758	2,294
Accounts Receivable	424,325	414,527
Accounts receivable - related parties	119,137	171,066
Less: Loss allowance	<u>(12,648)</u>	<u>(14,058)</u>
	<u>\$ 533,572</u>	<u>573,829</u>

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group 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.

The loss allowance provision is determined as follows:

	December 31, 2025		
	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	\$ 503,707	0.00%~0.32%	1,007
1 to 30 days past due	22,215	0.10%~2.50%	405
31 to 60 days past due	9,419	1.66%~10.02%	944
61 to 90 days past due	1,534	5.93%~61.71%	947
More than 91 days past due	<u>9,345</u>	100%	<u>9,345</u>
	<u>\$ 546,220</u>		<u>12,648</u>

	December 31, 2024		
	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	\$ 555,625	0.10%~2.09%	6,613
1 to 30 days past due	21,082	0.20%~7.41%	1,246
31 to 60 days past due	5,942	2.41%~22.25%	962
61 to 90 days past due	5	6.34%~72.02%	4
More than 91 days past due	<u>5,233</u>	100%	<u>5,233</u>
	<u>\$ 587,887</u>		<u>14,058</u>

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

	For the years ended December 31	
	2025	2024
Balance on January 1	\$ 14,058	14,769
Impairment losses reversed	(1,224)	(1,066)
Foreign exchange (losses) gains	<u>(186)</u>	<u>355</u>
Balance on December 31	<u>\$ 12,648</u>	<u>14,058</u>

The financial assets mentioned above were not pledged as collateral.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Inventories

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Merchandise	\$ 313	404
Raw materials	10,334	11,257
Supplies	48,798	46,818
Work in proces	85,154	68,241
Finished goods	87,221	75,370
Total	<u>\$ 231,820</u>	<u>202,090</u>

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

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Production Cost	\$ 1,429,249	1,277,234
Reversal of Write-downs of inventories	(6,933)	(39,794)
Income from sale of scraps	(3,893)	(5,059)
Loss on scrapping	5,393	930
Recognition as an expense	(2,715)	(3,440)
	<u>\$ 1,421,101</u>	<u>1,229,871</u>

- (ii) In both 2025 and 2024, the Group 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 Group had not been pledged as collateral.

(e) Acquire a subsidiary

On December 5, 2024, the Company's Board of Directors approved an indirect investment, to be made by Changzhou Jenyang Electronics Co., Ltd., to establish a fully-owned subsidiary in Vietnam, JENGYANG ELECTRONICS COMPANY LIMITED, with an investment amount of USD \$20,000 thousand. The subsidiary was incorporated in the third quarter of 2025, wherein a cash capital increase of USD \$20,000 thousand had been completed in October 2025.

(f) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation</u> <u>Equipment</u>	<u>Office</u> <u>Equipment</u>	<u>Other</u> <u>Equipment</u>	<u>Total</u>
Cost or deemed cost:							
Balance on January 1, 2025	\$ 532,216	576,145	742,238	39,745	51,710	25,508	1,967,562
Additions	-	2,325	48,386	7,431	2,359	3,605	64,106
Disposals	-	-	(49,007)	(5,571)	(1,749)	(983)	(57,310)
Effect of foreign currency exchange differences	-	(6,168)	(8,064)	(85)	(176)	(436)	(14,929)
Balance on December 31, 2025	<u>\$ 532,216</u>	<u>572,302</u>	<u>733,553</u>	<u>41,520</u>	<u>52,144</u>	<u>27,694</u>	<u>1,959,429</u>

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
Balance on January 1, 2024	\$ 558,247	537,667	709,229	38,563	50,241	22,441	1,916,388
Additions	-	22,901	17,315	4,551	4,195	1,879	50,841
Disposals	(26,031)	-	(4,971)	(3,632)	(3,170)	-	(37,804)
Transfer in /(Trasfer out)	-	-	1,362	-	-	-	1,362
Effect of foreign currency exchange differences	-	15,577	19,303	263	444	1,188	36,775
Balance on December 31, 2024	<u>\$ 532,216</u>	<u>576,145</u>	<u>742,238</u>	<u>39,745</u>	<u>51,710</u>	<u>25,508</u>	<u>1,967,562</u>
Depreciation and impairments loss:							
Balance on January 1, 2025	\$ -	313,983	573,432	31,016	43,185	17,006	978,622
Depreciation	-	16,885	49,468	2,899	3,335	2,002	74,589
Disposals	-	-	(41,872)	(5,300)	(1,733)	(885)	(49,790)
Effect of foreign currency exchange differences	-	(2,474)	(5,411)	(119)	(118)	(307)	(8,429)
Balance on December 31, 2025	<u>\$ -</u>	<u>328,394</u>	<u>575,617</u>	<u>28,496</u>	<u>44,669</u>	<u>17,816</u>	<u>994,992</u>
Balance on January 1, 2024	\$ -	290,917	513,493	32,154	41,967	14,485	893,016
Depreciation	-	16,627	50,931	1,901	3,936	1,749	75,144
Disposals	-	-	(4,270)	(3,256)	(3,065)	-	(10,591)
Effect of foreign currency exchange differences	-	6,439	13,278	217	347	772	21,053
Balance on December 31, 2024	<u>\$ -</u>	<u>313,983</u>	<u>573,432</u>	<u>31,016</u>	<u>43,185</u>	<u>17,006</u>	<u>978,622</u>
Carrying value:							
Balance on December 31, 2025	<u>\$ 532,216</u>	<u>243,908</u>	<u>157,936</u>	<u>13,024</u>	<u>7,475</u>	<u>9,878</u>	<u>964,437</u>
Balance on January 1, 2024	<u>\$ 558,247</u>	<u>246,750</u>	<u>195,736</u>	<u>6,409</u>	<u>8,274</u>	<u>7,956</u>	<u>1,023,372</u>
Balance on December 31, 2024	<u>\$ 532,216</u>	<u>262,162</u>	<u>168,806</u>	<u>8,729</u>	<u>8,525</u>	<u>8,502</u>	<u>988,940</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(r) for details.

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

(g) Right-of-use assets

The cost, depreciation and impairment of the Group's right of use assets for land, buildings and building improvements for the years ended December 31, 2025 and 2024 were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost of right-of-use assetst:			
Balance on January 1, 2025	\$ 29,023	1,071	30,094
Additions	112,193	-	112,193
Write off-lease ending	-	(1,071)	(1,071)
Effect of foreign currency exchange differences	911	-	911
Balance on December 31, 2025	<u>\$ 142,127</u>	<u>-</u>	<u>142,127</u>
Balance on January 1, 2024	\$ 29,456	1,071	30,527
Effect of foreign currency exchange differences	(433)	-	(433)
Balance on December 31, 2024	<u>\$ 29,023</u>	<u>1,071</u>	<u>30,094</u>

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Depreciation and impairment of right of use assets:			
Balance on January 1, 2025	\$ 13,161	1,071	14,232
Depreciation	1,403	-	1,403
Write off-lease ending	-	(1,071)	(1,071)
Effect of foreign currency exchange differences	(234)	-	(234)
Balance on December 31, 2025	<u>\$ 14,330</u>	<u>-</u>	<u>14,330</u>
Balance on January 1, 2024	\$ 11,957	765	12,722
Depreciation	575	306	881
Effect of foreign currency exchange differences	629	-	629
Balance on December 31, 2024	<u>\$ 13,161</u>	<u>1,071</u>	<u>14,232</u>
Carrying value:			
Balance on December 31, 2025	<u>\$ 127,797</u>	<u>-</u>	<u>127,797</u>
Balance on January 1, 2024	<u>\$ 17,499</u>	<u>306</u>	<u>17,805</u>
Balance on December 31, 2024	<u>\$ 15,862</u>	<u>-</u>	<u>15,862</u>

- (i) To meet its needs of long-term operational planning, the Group's subsidiary ,Zhenyang, 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.
- (ii) For the collateral for right-of-use assets, please refer to Note 8.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(h) 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	\$ 52,807	141,535	194,342
Effect of foreign currency exchange differences	-	(2,535)	(2,535)
Balance on December 31, 2025	<u>\$ 52,807</u>	<u>139,000</u>	<u>191,807</u>
Balance on January 1, 2024	\$ 52,807	135,133	187,940
Effect of foreign currency exchange differences	-	6,402	6,402
Balance on December 31, 2024	<u>\$ 52,807</u>	<u>141,535</u>	<u>194,342</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2025	\$ -	58,721	58,721
Depreciation	-	5,560	5,560
Effect of foreign currency exchange differences	-	(773)	(773)
Balance on December 31, 2025	<u>\$ -</u>	<u>63,508</u>	<u>63,508</u>
Balance on January 1, 2024	\$ -	50,901	50,901
Depreciation	-	5,756	5,756
Effect of foreign currency exchange differences	-	2,064	2,064
Balance on December 31, 2024	<u>\$ -</u>	<u>58,721</u>	<u>58,721</u>
Carrying value:			
Balance on December 31, 2025	<u>\$ 52,807</u>	<u>75,492</u>	<u>128,299</u>
Balance on January 1, 2024	<u>\$ 52,807</u>	<u>84,232</u>	<u>137,039</u>
Balance on December 31, 2024	<u>\$ 52,807</u>	<u>82,814</u>	<u>135,621</u>
Fair value :			
Balance on December 31, 2025			<u>\$ 501,305</u>
Balance on December 31, 2024			<u>\$ 504,656</u>

- (i) The fair value of investment property is the evaluation basis concluded by the Group 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. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Short-term borrowings

	December 31, 2025	December 31, 2024
Secured bank borrowings	<u>\$ 200,180</u>	<u>-</u>
Unused credit lines	<u>\$ 621,089</u>	<u>400,000</u>
Range of interest rates	<u>2.0%~2.6%</u>	<u>-</u>
Duration year	<u>2026</u>	<u>-</u>

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

(j) Accounts payable(including related parties)

	December 31, 2025	December 31, 2024
Payables to suppliers	<u>\$ 368,962</u>	<u>357,863</u>

(k) Operating leases

The Group leases out its investment property. The Group 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(h) 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:

	December 31, 2025	December 31, 2024
Less than one year	\$ 8,256	16,612
One to two years	1,749	4,526
Two to three years	1,200	1,768
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>\$ 14,648</u>	<u>27,549</u>

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Employee benefits

(i) Defined benefit plans

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

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

The Group 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 Group 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 Group'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:

	For the years ended December 31	
	2025	2024
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><u>\$ 114,386</u></u>	<u><u>109,532</u></u>

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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:

	For the years ended December 31	
	2025	2024
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	\$ 249,999	227,977

4) Expenses recognized in profit or loss

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

	For the years ended December 31	
	2025	2024
Current service cost	\$ 495	528
Net interest of net defined benefit asset	(1,947)	(1,266)
	\$ (1,452)	(738)
Operating cost	\$ (1,117)	(524)
Selling expenses	(107)	(69)
Administration expenses	(92)	(58)
Research and development expenses	(136)	(87)
	\$ (1,452)	(738)

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

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

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

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6) Actuarial assumptions

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

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

The expected allocation payment to be made by the Group 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:

	<u>Impact on the present value of defined benefit obligation</u>	
	<u>Increase</u>	<u>Decrease</u>
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.

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 Group 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 \$22,804 thousand and \$20,655 thousand for the years ended December 31, 2025 and 2024, respectively.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(m) Income taxes

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

	For the years ended December 31	
	2025	2024
Current tax expense		
Current period	\$ 23,482	20,856
Land value increment tax	-	11,535
Adjustment for prior	(1,303)	(1,493)
Additional tax on undistributed earnings	3,941	662
	<u>26,120</u>	<u>31,560</u>
Deferred tax expense		
Origination and reversal of temporary differences	5,779	11,340
Income tax expense from continuing operations	<u>\$ 31,899</u>	<u>42,900</u>

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

	For the years ended December 31	
	2025	2024
Profit excluding income tax	\$ 105,795	185,457
Income tax using the Company's domestic tax rate	21,159	37,091
Non-deductible expenses	(808)	(999)
Tax-exempt income from the disposal of land	-	(18,852)
Effect of tax on land value income tax	-	11,535
Effect of different tax rates in foreign jurisdiction	8,290	(7,768)
Tax-losses carryforward	(191)	(638)
Adjustment for prior	(1,303)	(1,493)
Overseas investment benefits	(15,562)	(14,168)
Additional tax on undistributed earnings	3,941	662
Others	16,373	37,530
Income tax expense	<u>\$ 31,899</u>	<u>42,900</u>

- (iii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets

	December 31, 2025	December 31, 2024
Tax carryforward of unused tax losses	<u>\$ 16,629</u>	<u>16,820</u>

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2025 the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax losses</u>	<u>Expiry year</u>
2018	\$ 8,338	2028
2019	16,510	2029
2020	19,481	2030
2021	38,814	2031
	<u>\$ 83,143</u>	

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2025 and 2024 were as follows:

<u>Deferred tax assets:</u>	<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>
Balance on January 1, 2025	\$ 1,279	-	6,683	14,543	22,505
(Debit) Credit on income statement	(665)	-	5,488	(2,557)	2,266
Foreign currency translation difference for foreign operations	-	-	158	-	158
Balance on December 31, 2025	<u>\$ 614</u>	<u>-</u>	<u>12,329</u>	<u>11,986</u>	<u>24,929</u>
Balance on January 1, 2024	\$ 1,142	1,420	9,307	8,654	20,523
(Debit) Credit on income statement	137	(1,420)	(2,624)	5,889	1,982
Balance on December 31, 2024	<u>\$ 1,279</u>	<u>-</u>	<u>6,683</u>	<u>14,543</u>	<u>22,505</u>

<u>Deferred tax liabilities:</u>	<u>Gain on Investment in equity</u>	<u>Tax credit for purchase of machinery and equipment</u>	<u>Defined Benefit Plans</u>	<u>Unrealized Foreign Exchange Gain</u>	<u>Others</u>	<u>Land Value increment</u>	<u>Total</u>
Balance on January 1, 2025	\$ 102,670	9,516	2,930	630	6,718	100,940	223,404
Debit (Credit) on income statement	15,562	(2,857)	1,664	104	(6,428)	-	8,045
Foreign currency translation differences for foreign operations	-	(256)	-	-	(290)	-	(546)
Balance on December 31, 2025	<u>\$ 118,232</u>	<u>6,403</u>	<u>4,594</u>	<u>734</u>	<u>-</u>	<u>100,940</u>	<u>230,903</u>
Balance on January 1, 2024	\$ 88,502	13,185	1,480	-	-	106,203	209,370
Debit (Credit) on income statement	14,168	(4,315)	1,450	630	6,652	(5,263)	13,322
Foreign currency translation differences for foreign operations	-	646	-	-	66	-	712
Balance on December 31, 2024	<u>\$ 102,670</u>	<u>9,516</u>	<u>2,930</u>	<u>630</u>	<u>6,718</u>	<u>100,940</u>	<u>223,404</u>

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

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(n) 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:

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

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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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 the year 2024. As of December 31, 2025 and 2024, the special earnings reserve was both \$232,113 thousand.

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:

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

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”.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Other equity, (net of tax)

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

(o) Earnings per share

The basic earnings per share and diluted earnings per share were calculated as follow:

	For the years ended December 31	
	2025	2024
Basic earnings per share		
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>
Diluted earnings per share		
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 potential diluted ordinary shares		
Employee's stock compensation	<u>177</u>	<u>111</u>
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>

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2025	2024
Primary geographic markets:		
Taiwan	\$ 411,500	373,624
Asia	227,204	166,564
America	1,087,298	937,733
Others	32,299	24,714
Total	\$ 1,758,301	1,502,635
Main products/service lines:		
Revenue from sale of goods	\$ 1,758,301	1,502,635

(ii) Contract balances

	December 31, 2025	December 31, 2024	January 1, 2024
Notes Receivable	\$ 2,758	2,294	14,713
Accounts receivable	424,325	414,527	322,069
Accounts receivable - related parties	119,137	171,066	91,335
Less: Loss allowance	(12,648)	(14,058)	(14,769)
Total	\$ 533,572	573,829	413,348
Contract liabilities	\$ 10,822	12,555	35,984

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 \$10,756 thousand and \$38,636 thousand, respectively.

(q) 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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

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 consolidated 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.

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

The decisions for the years 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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(r) Non-operating income and expenses

(i) Interest income

The details of on interest income of the Group were as follows:

	For the years ended December 31	
	2025	2024
Bank deposits	\$ 22,846	19,772
Other interest income	-	2
	\$ 22,846	19,774

(ii) Other income

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

	For the years ended December 31	
	2025	2024
Rent income	\$ 19,445	20,446
Other income—others	4,999	1,990
	\$ 24,444	22,436

(iii) Other gains and losses

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

	For the years ended December 31	
	2025	2024
Foreign exchange (losses) gains	\$ (6,739)	29,821
Depreciation expenses in investment property	(5,560)	(5,756)
Others	(54)	(816)
Other gains and losses, net	\$ (12,353)	23,249

(iv) Finance costs

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

	For the years ended December 31	
	2025	2024
Interest on bank loans	\$ 1,606	4
Interest on lease liabilities	-	1
	\$ 1,606	5

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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- (v) (Losses) gains on disposals of property, plant and equipment

	For the years ended December 31	
	2025	2024
(Losses) gains on disposals of property, plant and equipment	\$ (3,272)	94,407

- (s) Financial instruments

- (i) Credit Risk

- 1) Credit risk exposure

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

- 2) The Group'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 Group 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 Group's accounts receivable and accounts payable (including related parties) was \$307,815 thousand and \$352,307 thousand, respectively, which resulted in the Group having a concentration of credit risk in its accounts receivable. However, the Group 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 Group'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.

	Carrying amount	Contractual cash flows	Within 1 year	1-3 years	3-5years	Over 5 years
December 31, 2025						
Non-derivative financial liabilities						
Short-term borrowings	\$ 200,180	201,891	201,891	-	-	-
Payable (current and non-current)	502,087	502,087	502,087	-	-	-
Guarantee deposits received	1,584	1,584	-	1,584	-	-
	\$ 703,851	705,562	703,978	1,584	-	-

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<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>
December 31, 2024						
Non-derivative financial liabilities						
Payable (current and non-current)	\$ 492,755	492,755	492,755	-	-	-
Guarantee deposits received	<u>1,670</u>	<u>1,670</u>	<u>-</u>	<u>1,670</u>	<u>-</u>	<u>-</u>
	<u>\$ 494,425</u>	<u>494,425</u>	<u>492,755</u>	<u>1,670</u>	<u>-</u>	<u>-</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2025</u>			<u>December 31, 2024</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$ 16,904	31.380	530,450	7,163	32.735	234,470
USD:CNY	8,979	7.029	281,757	21,530	7.188	704,736
USD:VND	15,000	26,077	464,518	-	-	-
EUR:CNY	1	8.236	34	137	7.526	4,739
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1,097	31.380	34,417	384	32.735	12,564
USD:HKD	49	7.029	1,534	105	7.188	3,440

2) Sensitivity analysis

The Group'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 \$9,926 thousand and \$7,424 thousand for the years ended December 31, 2025 and 2024, respectively. The analysis is performed on the same basis for both periods.

As the Group 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 (losses) gains (including realized and unrealized) amounted \$(6,739) thousand and \$29,821 thousand, respectively.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Fair value of financial instruments

1) Fair value hierarchy

The carrying amount and fair value of the Group'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:

<u>December 31, 2025</u>	<u>Book Value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through other comprehensive income - non current	\$ -	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 808,353				
Financial assets measured at amortized cost - current	151,555				
Notes and accounts receivable (including related parties)	533,572				
Other receivable	17,820				
Refundable deposits	<u>3,718</u>				
	<u>\$ 1,515,018</u>				
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 200,180				
Notes and accounts payable (including related parties)	373,297				
Other payables (including related parties)	128,790				
Guarantee deposits received	<u>1,584</u>				
	<u>\$ 703,851</u>				
<u>December 31, 2024</u>	<u>Book Value</u>	<u>Fair value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets at fair value through other comprehensive income - non current	\$ -	-	-	-	-

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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<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 measured at amortized cost					
Cash and cash equivalents	\$ 640,152				
Financial assets measured at amortized cost - current	262,120				
Notes and accounts receivable (including related parties)	573,829				
Other receivable	22,583				
Refundable deposits	<u>3,709</u>				
	<u>\$ 1,502,393</u>				
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	\$ 363,240				
Other payables (including related parties)	129,515				
Guarantee deposits received	<u>1,670</u>				
	<u>\$ 494,425</u>				

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

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

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Valuation techniques for financial instruments measured at fair value

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

a) The Group 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 Group for the years ended December 31, 2025 and 2024.

(t) Financial risk management

(i) Overview

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

The following likewise discusses the Group'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 Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Group's Audit Board of Directors how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group'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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Credit risk

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

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

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group'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 Group 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 Group'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 Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Group, mainly the US Dollar (USD). When a short-term imbalance of financial assets and liabilities in foreign currency occurs, the Group 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 Group's portfolio is managed individually, and all the decisions on transactions are approved by the Board of Directors.

(u) 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 Group'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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group 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.

As of December 31, 2025, the Group's capital management strategy is consistent with the prior year and ensure financing at reasonable cost. The Group'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, 2025</u>	<u>December 31, 2024</u>
Total liabilities	\$ 962,314	749,821
Less: cash and cash equivalents	<u>(808,353)</u>	<u>(640,152)</u>
Net debt	153,961	109,669
Total equity	<u>2,255,215</u>	<u>2,279,097</u>
Adjusted equity	<u>\$ 2,409,176</u>	<u>2,388,766</u>
Debt-to-equity ratio	<u>6 %</u>	<u>5 %</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 Group'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 Group during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
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
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
Yong Syu Development Co.,Ltd(Yong Syu)	Same chairman as the company

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(b) Significant transactions with related parties

(i) Sales

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

	For the years ended December 31	
	2025	2024
USI	\$ 499,260	359,780
Other related parties	25	-
	<u>\$ 499,285</u>	<u>359,780</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 Group from related parties were as follows:

	For the years ended December 31	
	2025	2024
Shang Shun	\$ <u>908</u>	<u>2,759</u>

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

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

	For the years ended December 31	
	2025	2024
Shang Shun	\$ <u>7,939</u>	<u>7,708</u>

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 Group from related parties were as follows:

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

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

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Receivables from related parties

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts receivables	USI	\$ 119,132	170,661
Accounts receivables	Shang Shun	5	-
Allowance for doubtful account		(133)	(93)
		<u>\$ 119,004</u>	<u>170,568</u>

(iv) Payables

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts payables	Shang Shun	\$ 1,889	3,110
Other accounts payables	Asia Partners	263	263
		<u>\$ 2,152</u>	<u>3,373</u>

(v) Contract liabilities

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

(vi) Other current liabilities

Details of advance receipts from related parties to the Group 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	\$ 14	14

(vii) Leases

- 1) The Group 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.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

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

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2025	December 31, 2024
Property, plant and equipment	Short-term loans	\$ 658,623	486,553
Investment property	Short-term loans	105,532	52,807
Right-of-use-assets	Short-term loans	14,982	-
		<u>\$ 779,137</u>	<u>539,360</u>

(9) Commitments and contingencies:

(a) Unrecognized contractual commitments

(i) The Group's unrecognized contractual commitments are as follows:

	December 31, 2025	December 31, 2024
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:

As part of its long-term operational plan, the Group plans to acquire land and construct its own factory in Vietnam. On January 23, 2026, the subsidiary, JENGYANG ELECTRONICS COMPANY LIMITED, signed a factory construction agreement with Vietnam Token Vietnam Engineering & Construction Joint Stock Company, at a total amount of VND\$232,308,000 thousand (approximately \$275,285 thousand), wherein the prepayment of VND \$46,461,600 thousand (approximately \$55,176 thousand) had been made on February 3, 2026.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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		\$ 246,115	123,660	369,775	218,247	110,207	328,454
Labor and health insurance		27,548	11,625	39,173	23,858	11,227	35,085
Pension		13,698	7,654	21,352	12,614	7,303	19,917
Others		13,622	9,266	22,888	12,497	7,340	19,837
Depreciation		61,125	14,867	75,992	61,740	14,285	76,025
Amortization		421	4,175	4,596	361	3,510	3,871

- (b) Other:

The amount of donations made by the Group to the New Taipei City Police Friends Association, foundation and election candidate 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 cultural association remote schools, rotary club, etc.

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated 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 Group:

(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 transaction.

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				Highest Percentage of ownership (%)	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%	-	10.06 %	Note

Note : 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%	-

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None
- (vi) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Cheng Fwa Industrial Co., Ltd.	Changzhou Jenyang Electronics Co., Ltd.	1	Purchase	75,738	The same as those for ordinary transactions	2.35%
0	Cheng Fwa Industrial Co., Ltd.	Da Sun Plastic Industrial Co., Ltd.	1	Sale	14,228	The same as those for ordinary transactions	0.81%
0	Cheng Fwa Industrial Co., Ltd.	Da Sun Plastic Industrial Co., Ltd.	1	Notes receivable	701	The same as those for ordinary transactions	0.02%
0	Cheng Fwa Industrial Co., Ltd.	Da Sun Plastic Industrial Co., Ltd.	1	Accounts receivable	123	The same as those for ordinary transactions	-%

Note 1: For the inter-company business relationship and transaction condition in the "Number" column, the labeling method is as follows:

1. Parent company - 0
2. Subsidiaries - in sequence from 1.

Note 2 : Relationship is classified into three types:

1. Parent company to subsidiary
2. Subsidiary to parent company
3. Subsidiary to subsidiary

Note 3: The ratio of the transaction amounts accounted for total sales revenue or assets is calculated as follows: (1) Asset or liability: The ratio was calculated based on the ending balance accounted for total consolidated assets; (2) Income or loss: The ratio was calculated based on the midterm accumulated amounts accounted for total consolidated sales revenue.

- (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			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	Shares (thousands)	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	100.00 %	75,840	75,840	Note
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	89.59 %	(3,563)	(3,206)	Note
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	100.00 %	(1,179)	(1,179)	Note and Note 1

Note: The amounts had been offset in the consolidated financial statements

Note 1 : 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	Highest 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%	100.00%	75,840 (Note 4)	1,154,652 (Note 4)	-
Changzhou Zhuofu Electronic Technology Co., Ltd.	Technical research on LED lamps and cooling modules, etc.	\$ 4,353	(2)	4,353	-	-	4,353	-	14.49%	14.49%	-	-	-

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Note 1: Method of investment is classified into two types:

- 1) Indirectly invested in Mainland China through the third region. Please refer to Note 4(c).
- 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: The amounts had been offset in the consolidated financial statements.

Note 3: As of December 31, 2025, the company indirectly invested in Cheng Fwa Industrial Co., Ltd (Samoa). in mainland Changzhou Jenyang Electronics Co., Ltd. (Jenyang) 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 4: 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 Group's significant direct or indirect transactions (eliminated when compiling the consolidated financial statements) with investee companies in Mainland China for the years ended December 31, 2025, please refer to "Information on significant

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(14) Segment information:

(a) General information

The Group is mainly engaged in the production, manufacture and sales of industrial computers, casings and their parts, which is a single industry.

Operating sector information is reported in a manner consistent with internal management reporting to operating decision makers. The operating decision-maker formulates and allocates resources to the operating departments and evaluates their performance. The Group's operating decision-maker is the board of directors.

The segment financial information is consistent with the consolidated financial statements. For sales to unconsolidated entities and income before income tax, please see the consolidated statements of comprehensive income. For assets, please see the consolidated balance sheets.

(b) Disclosure of industry financial information

The Group's operating segment information and reconciliation are as follows:

	For the year ended December 31, 2025			
	Domestic	Foreign	Elimination	Total
Revenue:				
Revenue from external customers	\$ 1,008,892	749,409	-	1,758,301
Intersegment revenues	14,228	77,301	(91,529)	-
Interest income	7,770	15,076	-	22,846
Total revenue	\$ 1,030,890	841,786	(91,529)	1,781,147
Interest expense	\$ 1,142	464	-	1,606
Depreciation and amortization	36,334	44,236	18	80,588
Reportable segment profit or loss	\$ 23,057	82,738	-	105,795
	For the year ended December 31, 2024			
	Domestic	Foreign	Elimination	Total
Revenue:				
Revenue from external customers	\$ 835,871	666,764	-	1,502,635
Intersegment revenues	16,314	37,996	(54,310)	-
Interest income	3,882	15,892	-	19,774
Total revenue	\$ 856,067	720,652	(54,310)	1,522,409
Interest expense	\$ 5	-	-	5
Depreciation and amortization	38,303	41,537	56	79,896
Reportable segment profit or loss	\$ 92,680	92,777	-	185,457

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographic information

In presenting information based on geography, segment revenue is based on the geographical location of customers and segment assets are categorized based on the geographical location of the assets.

Product and services	For the years ended December 31	
	2025	2024
Revenue from external customers:		
Taiwan	\$ 411,500	373,624
Asia	227,204	166,564
America	1,087,298	937,733
Others	32,299	24,714
	<u>\$ 1,758,301</u>	<u>1,502,635</u>
Non current assets:		
Taiwan	\$ 752,141	753,099
China	429,712	419,101
Vietnam	112,815	-
Total	<u>\$ 1,294,668</u>	<u>1,172,200</u>

Non current assets include property, plant and equipment, investment property, Right-of-use assets, intangible assets, and other assets, not including financial instruments and deferred tax assets (non current).

(d) Information about major customers

	For the years ended December 31	
	2025	2024
Customer A	\$ 499,260	359,780
Customer B	577,593	570,337
Customer C	134,222	83,520
Customer D	56,334	55,687
Customer E	75,651	95,910
	<u>\$ 1,343,060</u>	<u>1,165,234</u>