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Message from the Chairman

Dear Cheng Fwa partners and friends,

In 2025, the global computer and peripheral equipment industry continued to grow, with the market size expected to increase from USD 1596.3 billion in 2024 to USD 1656.4 billion, representing an annual growth rate of approximately 3.7%. Demand in the global computer case market is primarily driven by the personal computer, gaming, and server sectors. With the thriving development of the AI computing industry, there is an increasing demand for computer cases with superior thermal performance and customized designs. Environmental protection and sustainability have also become key considerations for consumers when selecting case products. For high-end users, customized services are gaining popularity, and tailor-made computer cases have become a core strength and focus of the Company. Upholding the principles of "Professionalism, Quality, and Service," the Company strives for steady growth and continuous improvement. In addition to consistently generating profits, the Company is deeply committed to the execution of corporate social responsibility. All employees are aligned in actively engaging in stakeholder concerns and participating in related activities, making solid progress in corporate governance, society, and the environment.

Cheng Fwa has demonstrated outstanding results in corporate governance. In the corporate governance evaluation, the Company ranked within the 51%–65% tier among listed companies with a market value under NT\$5 billion. Performance evaluations of the Board of Directors and functional committees reached an "Excellent" level, reflecting the quality and efficiency of decision-making. Directors and corporate governance officers completed a total of 48 hours of training, demonstrating our commitment to enhancing professional capabilities. In 2025, the Company achieved annual revenue of NT\$1,758,301 thousand and earnings per share (EPS) of NT\$0.52. Customer satisfaction reached 88.2 points, meeting the target. The Company maintained sound financial development and did not experience any major financial risk events. Overall, the Company's governance system is mature, with both professionalism and transparency, steadily moving toward sustainable operations.

The Company obtained ISO 14001 Environmental Management System certification in 2011 and has strictly adhered to environmental regulations to ensure green procurement, production processes, and product sales. The Company expects to complete ISO 14064-1 greenhouse gas inventory by 2026, and through identifying emission sources, formulate specific carbon reduction strategies. Through routine advocacy and internal management, the Company actively implements energy, water resource, and waste reduction measures to comprehensively enhance environmental performance. We continuously improve our operational quality and Sustainable Development capabilities with a high-standard management system.

Cheng Fwa also adheres to the Responsible Business Alliance (RBA) Code of Conduct, implementing human rights protection and striving to build an equal,

inclusive, and friendly workplace. The Company offers a competitive compensation and benefits system and provides diverse and systematic learning and development platforms. Employees are actively encouraged to participate in various training programs to continuously strengthen their professional skills and personal competencies. At the same time, a comprehensive occupational safety and health management system has been established to protect employee health and workplace safety. The Company has also long been committed to public welfare initiatives, demonstrating its corporate citizenship through concrete actions and showing our dedication to social sustainable development. Public welfare donations amounted to over NT\$2.35 million in 2022, NT\$3.17 million in 2023, NT\$4.29 million in 2024 and NT\$2.47 million in 2025

Cheng Fwa is committed to becoming a forward-looking, intelligent, and sustainability-driven leader in the computer case industry. In addition to solidifying our existing customer base and product lines, the Company is actively exploring new markets, innovative collaboration models, and providing flexible customized services to meet diverse customer needs. Cheng Fwa will continue advancing Sustainable Development goals, enhancing customer loyalty, employee satisfaction, and environmental friendliness. We aim to become a trusted brand recognized by society, employees, and customers. The Company sincerely welcomes valuable opinions and suggestions from all sectors to help us move toward a more prosperous future in our path to sustainable operations.



Cheng Fwa Industrial Co., Ltd.
Chairman: Tsai Tsung-Hsun

蔡宗勳

About This Report

Cheng Fwa Industrial Co., Ltd. (hereinafter referred to as the Company), through the dedication of an outstanding management team and professional technical personnel over the years, has earned the trust of customers with its high-quality products. The Company was officially listed on the Taipei Exchange in February 2000 (Stock Code: 5426). In pursuit of sustainable business operations and enhanced information transparency, the Company publishes its 2025 Sustainability Report (hereinafter referred to as the Report). Through the publication of the Report, the Company aims to communicate to stakeholders the actions and performance achieved under the goals of sustainable operations, particularly in areas such as integrity governance, implementation of environmental protection and occupational safety measures, and the improvement of employee compensation and benefits. The Company hopes stakeholders will continue to follow its progress and provide valuable suggestions as it steadily advances its vision and commitment to sustainable development.

Reporting Boundaries and Scope

Disclosure Category	Coverage Scope
Period	This Report primarily discloses business activities from 2025/1/1 to 2025/12/31. Some management performance data may include information prior to 2025.
Scope Boundary	Cheng Fwa Industrial Co., Ltd. Taiwan Headquarters and Factory Headquarters: 5F & 6F, No. 252, Sec. 2, New Taipei Blvd., Sanchong Dist., New Taipei City Factory: No. 25, Sec. 2, Guangfu Rd., Sanchong Dist., New Taipei City
Financial Data	Consistent with Cheng Fwa's publicly disclosed consolidated financial statements
Environmental, Health, and Safety Data	Same as the above scope boundary
Employee Data	Same as the above scope boundary
Public Welfare Performance	Same as the above scope boundary
Restatement of Information	This is the first edition of the Report; therefore, there is no restatement of information.

Reporting Framework and Data Verification

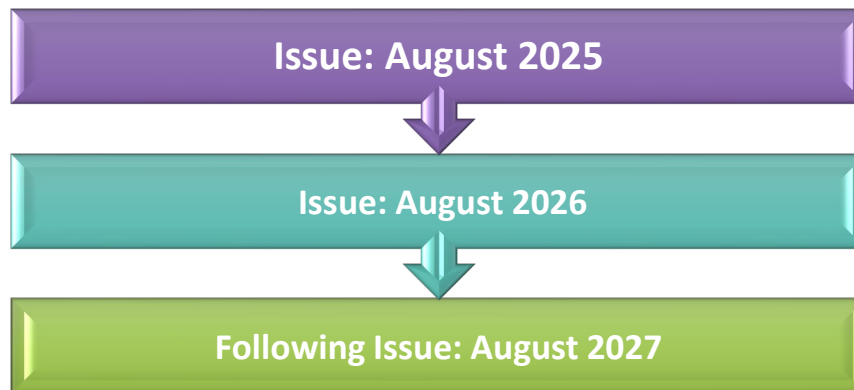
This Report has been prepared in accordance with the 2021 version of the GRI Standards issued by the Global Reporting Initiative (GRI), and also complies with the "Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies." The appendix of the Report includes a GRI content index, sustainability disclosure indicators for the computer and peripheral equipment industry, and climate-related information for TPEx listed companies for stakeholder reference.

- The financial data disclosed in this Report have been audited and certified by KPMG Taiwan in accordance with the International Financial Reporting Standards (IFRS), and all amounts are expressed in thousands of New Taiwan Dollars (NT\$).
- The 2025 edition of the Report has not yet sought assurance or attestation from a third-party verification body.
- The Company's 2025 greenhouse gas inventory data are self-estimated.

Report Management

The content of this Report is written in Traditional Chinese. All data were provided by the responsible personnel of each department, reviewed by their respective supervisors for accuracy and completeness, compiled and written by the editorial team, and subsequently reviewed and approved by the President. The final Report was submitted to the Board of Directors for approval and is published in accordance with the “Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies.” It is uploaded to the ESG digital platform and published on the Company’s official website.

Publication Cycle: The Company publishes its Sustainability Report annually.



Feedback and Contact

If you have any comments or suggestions regarding the content of this Report, please feel free to contact us:

ESG Sustainable Development Committee

Address: No. 25, Sec. 2, Guangfu Rd., Sanchong Dist., New Taipei City

Phone: +886-2-2995-1439

Email: ESG@chengfwa.com.tw



Website:

I. Sustainability Management

1.1 Sustainable Development Strategy



Responsible Governance:

The Board of Directors of Cheng Fwa has approved the Company's Corporate Governance Best Practice Principles and established the ESG Sustainable Development Committee. The Committee is chaired by the President, who is responsible for formulating sustainable development policies and guidelines, and for promoting and implementing them throughout the Company. Step by step, the principles of sustainable operations are being integrated into Cheng Fwa's corporate culture. Internally, the Company has established and implemented ethical corporate management policies and management procedures, along with supervisory mechanisms to fulfill corporate responsibilities, safeguard the legitimate rights and interests of investors, and address the interests of other stakeholders.

Environmental Protection:

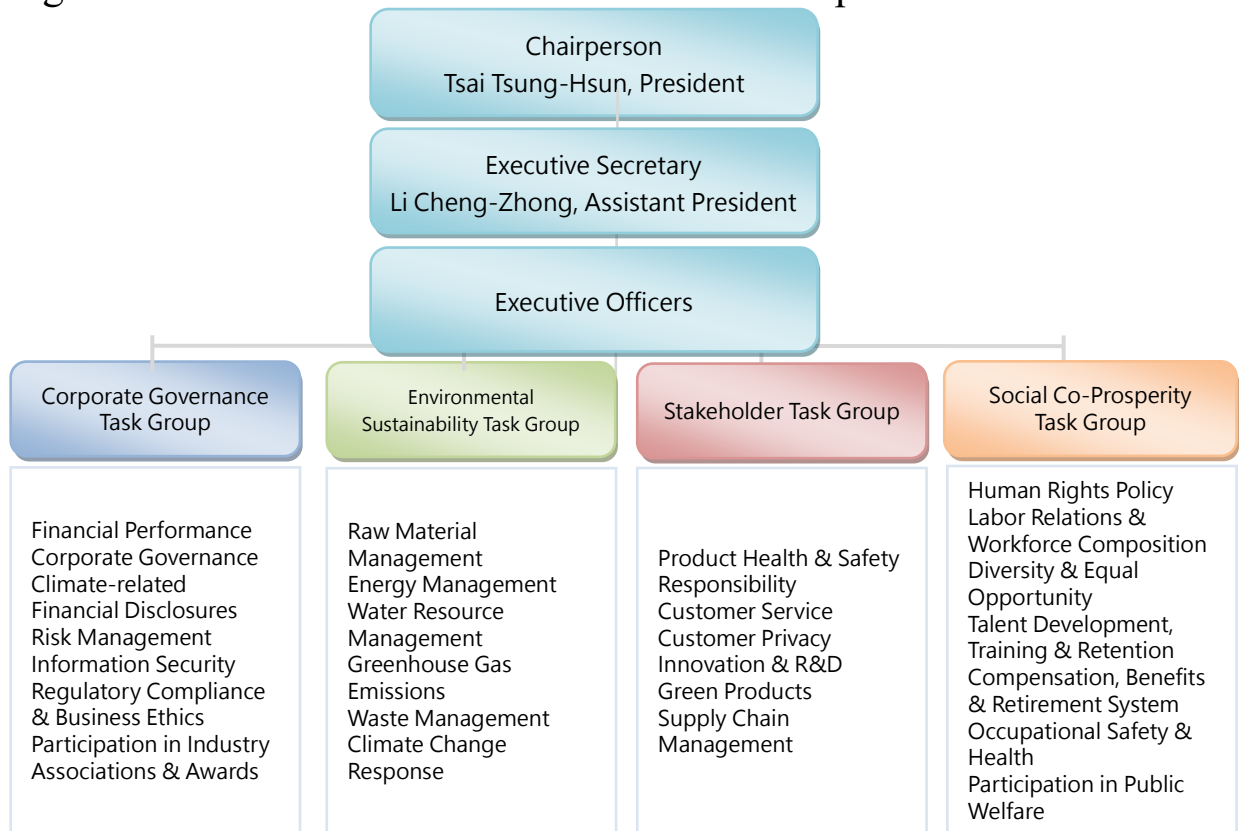
The Company has invested resources to optimize green manufacturing of products and the use of recyclable packaging materials. In response to climate change, the Company has introduced and obtained ISO 14001 certification and is implementing ISO 14064-1 to monitor carbon emissions across the group. Cheng Fwa is progressively formulating its net-zero carbon emission goals.

Social Responsibility:

In compliance with local laws and regulations, Cheng Fwa has established internal policies such as the "Ergonomic Assessment Management Guidelines," "Workplace Violence Prevention Procedures," "Sexual Harassment Prevention Policy," and "Maternity Health Protection Implementation Plan." The Company has also adopted the Responsible Business Alliance (RBA) management mechanism to carry out risk management and explicitly declare protections for employees in terms of age, working hours, leave, gender, etc., ensuring that employees are properly cared for. By joining the RBA, the Company actively fulfills its human rights responsibilities and corporate duties. To address sustainable development across Environmental, Social, and Governance (ESG) dimensions, the ESG Sustainable Development Committee has established specialized task groups. These groups collect stakeholder concerns regarding environmental protection, occupational safety, supply chain management, labor and human rights, operational performance, and corporate governance. In line with respecting stakeholder interests, the Company

has set up a Stakeholder Section on its website to appropriately respond to material sustainability topics of concern. The ESG Sustainable Development Committee reports its ESG implementation results to the Board of Directors annually to strengthen board involvement in the management and promotion of ESG initiatives.

Organizational Chart of ESG Sustainable Development Committee



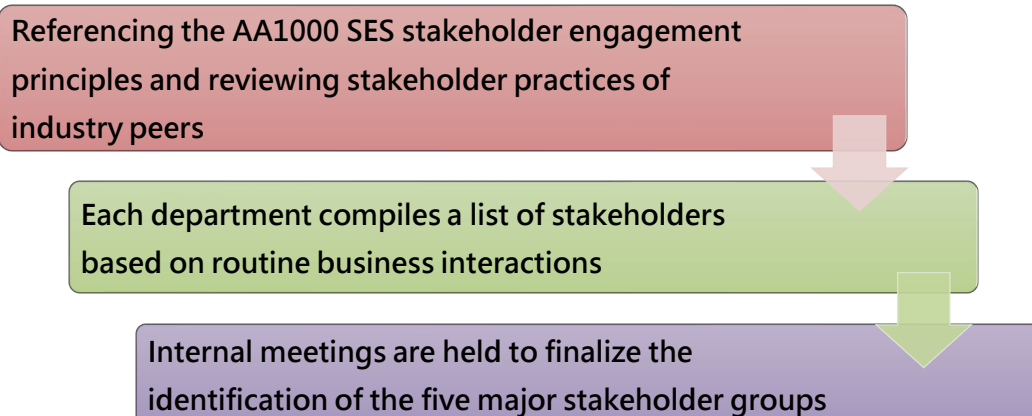
Roles and Responsibilities of Chairperson / Executive Secretary / Executive Officers	
✓	Chairperson: Formulate the direction, strategies, and goals of sustainable development; review relevant management guidelines and specific execution plans.
✓	Executive Secretary: Report to the Chairperson and the Board of Directors annually on the implementation of sustainable development initiatives; supervise the promotion and oversight of related work.
✓	Executive Officers: Promote and oversee sustainable development initiatives; report regularly to the Executive Secretary on the implementation status of relevant activities.

The ESG Sustainable Development Committee holds at least one meeting annually, convened and chaired by the Chairperson. The Committee discusses the objectives and outcomes of each task group. In response to environmental or regulatory changes, the meeting frequency may be flexibly adjusted. Resolutions and approved matters from the ESG Sustainable Development Committee are documented, reviewed by the Chairperson, and assigned to relevant departments for implementation by the Executive Officers in coordination with the Executive Secretary.

1.2 Identification of Stakeholders

While pursuing sustainable business operations, Cheng Fwa also places great importance on the voices of its stakeholders. Any individual or group that affects or is affected by the Company's operations—either actually or potentially—is considered a stakeholder of the Company. The Company's ESG Sustainable Development Committee, following the five principles of the AA1000 Stakeholder Engagement Standard (AA1000 SES), has identified five key stakeholder groups through internal discussions. These principles include dependency, responsibility, influence, diverse perspectives, and tension of concerns. The five primary stakeholder groups identified are: Employees, Shareholders/Investors, Customers, Suppliers, and Local Communities.

Stakeholder Identification Process



Five Dimensions of AA1000 SES 2015

Dependency
Responsibility
Tension
Influence
Diverse perspectives

1.3 Stakeholder Communication Channels and Key Concerns

Cheng Fwa adheres to a customer-centric philosophy, placing great importance on customer feedback as a vital component of corporate sustainable development. The Company has established a stakeholder section on its official website, offering channels for inquiries, complaints, or suggestions. We are committed to handling customer feedback with integrity and providing timely responses, ensuring comprehensive protection of customer rights and demonstrating our responsibility toward stakeholders.

Stakeholder Communication Channels and Key Concerns

Stakeholder Category	Key Concerns	Response Channels and Communication Frequency	Stakeholder Engagement in 2025
Employees	Operational Performance Compensation and Benefits Information Security and Privacy Protection Labor/Management Relations Occupational Safety and Health	- Occupational Safety and Health Committee / Welfare Committee: Held regularly - Training Programs: As scheduled - Employee Complaint Mailbox / Proposal System: Available anytime - Welfare Committee Activities: Irregular gatherings, year-end parties, etc.	- Occupational Safety and Health Committee meetings held in accordance with legal requirements - Four labor-management meetings held to discuss employee welfare - Zero employee complaints in 2025 - Average training hours per employee: 7.79hours
Shareholders / Investors	Operational Performance Compensation and Benefits Talent Development Participation in Public Welfare Community Relations	- Annual General Meeting: Once a year - Corporate Governance Evaluation: Once a year - Investor Section on Company Website: Real-time updates - Extraordinary Shareholders' Meetings: As needed - Market Observation Post System: Real-time / Periodic / Regulatory updates - Investor Conferences	2025 AGM held on June 20, 2025 - Investor Conference held on October 29, 2025 - Ranked in the 51-65% for companies with a market cap under NT\$5 billion in the 12th Corporate Governance Evaluation
Suppliers	Product Responsibility Management Operational Performance Customer Relationship Management Sustainable Supply Chain Information Security and Privacy Protection	- Meetings for Abnormal Quality (Product Supply & Construction): As needed - Supplier Visits / Communication Meetings: As needed - Coordination Meetings / Hazard Notification Forms: Before project launch - Supplier Evaluations: At least once a year - Contractors must follow Cheng Fwa's safety guidelines: Irregularly enforced - Records of occupational safety, environmental info collection / communication handling / supplier surveys / product material data: Ongoing	- Supplier evaluations completed in 2025 - All supplier/contractor incidents in 2025 were investigated and rectified
Customers	Product Responsibility Management Information Security and Privacy Protection Customer Relationship Management Sustainable Supply Chain Raw Material Management	- Technical Support / Factory Tours / Client Visits: As needed or irregularly - Customer Satisfaction Surveys: At least once a year - Co-development of Customized Products: Based on customer needs - Company Website: Updated with product information for domestic and international markets	- Customer satisfaction score reached 88.2 in 2025 - No incidents of customer privacy violations or data breaches in 2025 100% resolution rate for customer complaints in 2025
Local Communities	Waste Management Water Resource Management Greenhouse Gas Management Raw Material Management Green Services / Industry-Academia Cooperation	Waste disposal, water and air emission monitoring in compliance with regulations to protect local ecosystems and safeguard community health	100% of senior management positions are held by local hires - Strengthened Company-community engagement, creating more local employment opportunities

1.4 Identification of Material Topics

Material Topic Identification Process

Step 1: Understand the Organizational Context

Gain an understanding of the Company's profile, products or services, market served, industry characteristics, and related domestic and international issues. Review the context of operational activities and their business relationships.



Step 2: Identify Actual and Potential Impacts

Identify the actual or potential impacts of the Company's activities and business relationships on the economy, environment, and people. After understanding stakeholder concerns, summarize the related sustainability topics.



Step 3: Assess the Significance of Impacts

Evaluate each topic based on the severity, duration, and reversibility of its potential or actual impacts on the Company. (Impacts may be actual or potential, and positive or negative.)



Step 4: Determine the Material Topics to be Reported

Through internal and external stakeholder surveys, evaluate the degree of impact each sustainability issue has on stakeholders and on the Company's operations. The combined scores are ranked from highest to lowest, and the results are reviewed and discussed by the corporate governance team. Topics with high stakeholder concern and high impact in the areas of economy, environment, and people are selected as material topics for disclosure.



1.4.1 Material Topic Analysis

Cheng Fwa identified 20 sustainability issues and conducted a questionnaire survey, asking stakeholders to rate each issue on a scale of 1 to 5, where a higher score indicates a higher level of concern. A total of 128 valid responses were collected from key stakeholders. At the same time, 12 senior executives of the Company were surveyed to assess the degree of impact each issue has on the Company's sustainable operations. Survey results were ranked by total score and visualized in a matrix. Topics falling into the quadrant of high concern and high impact were identified as material topics. After discussion in the Sustainable Development Task Force meeting, Cheng Fwa determined that the following 7 topics would be prioritized for disclosure in the 2025 sustainability report: Energy Conservation and Carbon Reduction, Green Products, Talent Development, Occupational Safety and Health, Operational Performance, Information Security and Confidential Data Protection, and Product Health and Safety. Each material topic will be addressed in the corresponding chapters of this report, along with management approaches and required disclosures.

Aspect	Material Topics for 2025
Corporate Governance	Operational Performance, Sustainable Supply Chain
Environmental	Raw Material Management, Greenhouse Gas Management
Social	Talent Development, Compensation and Benefits



1.4.2 Determination of Material Topics and Boundaries

Aspect	Material Topic	Positive Impact	Negative Impact	Actual / Potential	Internal Boundary The Company	External Boundary			Disclosure Section in Report
						Investors	Suppliers	Customers	
Corporate Governance	Operational Performance	V		Actual	●	●	●	●	3.5 Operational Performance
Corporate Governance	Sustainable Supply Chain		V	Potential	●	●	●	●	3.9 Sustainable Supply Chain
Environmental	Raw Material Management		V	Potential	●		●	●	4.1 Raw Material Management
Environmental	Greenhouse		V	Potential	●	●	●	●	4.3 Greenhouse Gas

	Gas Management								Management
Environmental	Compensation and Benefits	V		Actual	•				5.1 Happy Workplace
Environmental	Talent Development	V		Actual	•				5.2 Talent Sustainability

1.5 Response to International Sustainable Development Goals

Goal	Management approach	Corresponding topics
 3 健康與福祉	• Create a healthy and safe working environment • Develop fair, reasonable, and competitive systems, benefits, and incentive measures	Happy Workplace Occupational Safety and Health Social Engagement
 4 優質教育	• Establish a comprehensive training system to enhance the competitiveness of sustainable business operations • Formulate individual development plans to help managers and employees continuously strengthen career sustainability	Talent Sustainability Happy Workplace
 5 性別平等  1 消除貧窮	• Promote gender equality and empower all women; ensure equal opportunities for all • Guarantee fair rights and access for all individuals, especially the poor and disadvantaged • Promote the well-being of external stakeholders through social engagement programs	Happy Workplace Social Engagement
 7 可負擔的 潔淨能源	• Conduct annual inventory of all types of energy consumption and energy intensity during business operations, and evaluate the effectiveness of energy-saving measures • Comply with ISO 14001 Environmental Management System, implement annual environmental improvement projects, and proactively achieve energy conservation and carbon reduction	Environmental Policy Energy Management Greenhouse Gas Management

	- Continuously expand production capacity, build product and service differentiation, and develop diversified product capabilities - Create a healthy and safe workplace and develop fair, reasonable, and competitive systems, benefits, and incentives to attract and retain key talents	Risk Management Human Rights Protection Diversity Programs Happy Workplace Occupational Safety and Health
	- Commit to the development and application of new technologies to provide high-quality and user-friendly products and services - Establish an information security management policy and form an “Information Security Management Committee” to ensure information and communication security in accordance with international standards	Information Security Innovation & R&D
	- Identify and manage related risks through due diligence - Protect employee rights through the human rights protection policy - Provide appropriate grievance channels	Human Rights Protection Diversity Programs Happy Workplace
	- Ensure sustainable consumption and production patterns by formulating quality policies, setting management goals based on these policies, and reviewing them periodically to manage and improve effectively - Confirm and commit that the Company’s products comply with international environmental regulations and customers’ green and halogen-free product requirements to prevent environmental pollution and harm to human health - Commit to avoiding the use of conflict minerals and ensure product health and safety	Information Security Management Sustainable Supply Chain Energy Management Greenhouse Gas Management Water Resource Management Waste Management
	- Conduct annual inventory of greenhouse gas emissions during business operations and periodically promote environmental awareness among employees - Plan to introduce ISO 14064-1 greenhouse gas inventory in 2025	Climate Change Risk Management Energy Resource Management

	• Promote a peaceful and inclusive society to implement sustainable development; provide grievance and whistleblowing channels for stakeholders • The Company is committed to transparency and has set up dedicated sections on its official website for investors, corporate governance, corporate social responsibility, and stakeholders • No legal violations or stakeholder complaints occurred in 2025	Corporate Governance Ethical Corporate Management Whistleblower System Human Rights Protection
	• Establish supplier management guidelines incorporating ESG-related impacts and risks, and regularly assess suppliers' social and environmental impacts • Increase the proportion of local procurement • Collaborate with diverse partners through various social participation initiatives to benefit people and society	Sustainable Supply Chain Social Engagement

II. About Cheng Fwa

2.1 Company Overview

Founded in 1964, Cheng Fwa Industrial Co., Ltd. is a manufacturer specializing in precision stamping components for the computer, telecommunications, networking, and electronics industries. Since its establishment, the Company has focused on metal stamping and forming as its core business. Through years of dedication by its professional management team and technical experts, Cheng Fwa has developed five core competencies: design, prototyping, in-house tooling fabrication, mass production, and finishing processing. As a result, the Company is able to provide a complete Full Turnkey Service—from OEM and ODM contract manufacturing to collaborative product design and development. Services include stamping metal components in various shapes and sizes, finishing processing, assembly, testing, and packaging—all performed under one roof, which is rare in the industry.

Cheng Fwa obtained ISO 9001 international quality certification in 1997. In 2008, the Company was further certified under IATF 16949 for automotive quality management, QC080000 for green product systems, and ISO 14001 and ISO 13485 to ensure optimized operational structure. These efforts aim to enhance customer satisfaction, maintain our industry-leading position, and continuously strengthen our capabilities and services to face future challenges.



Company Name	Cheng Fwa Industrial Co., Ltd.
Industry Category	Computer and Peripheral Equipment Industry Peripheral Equipment Industry
Operating Locations	Headquarters: 5F, No. 252, Sec. 2, New Taipei Blvd., Sanchong Dist., New Taipei City Factory: No. 25, Sec. 2, Guangfu Rd., Sanchong Dist., New Taipei City
Capital in 2024(merge)	NTD\$ 1,438,000 thousand
Revenue in 2025(merge)	NTD\$ 1,758,301 thousand
Main Products and Services	1. Industrial computer and server enclosures 2. Precision stamped parts and electronic components 3. Video decoder casings and components 4. Plastic parts and medical devices 5. Other processed products
Core Technologies	Stamping, Tooling, Mold Design

Global Presence

Cheng Fwa currently has operational sites in China, the West Coast of the United States, and the East Coast of the United States. With a proactive approach to expanding and cultivating overseas markets, the Company is committed to providing global customers with timely and comprehensive services.

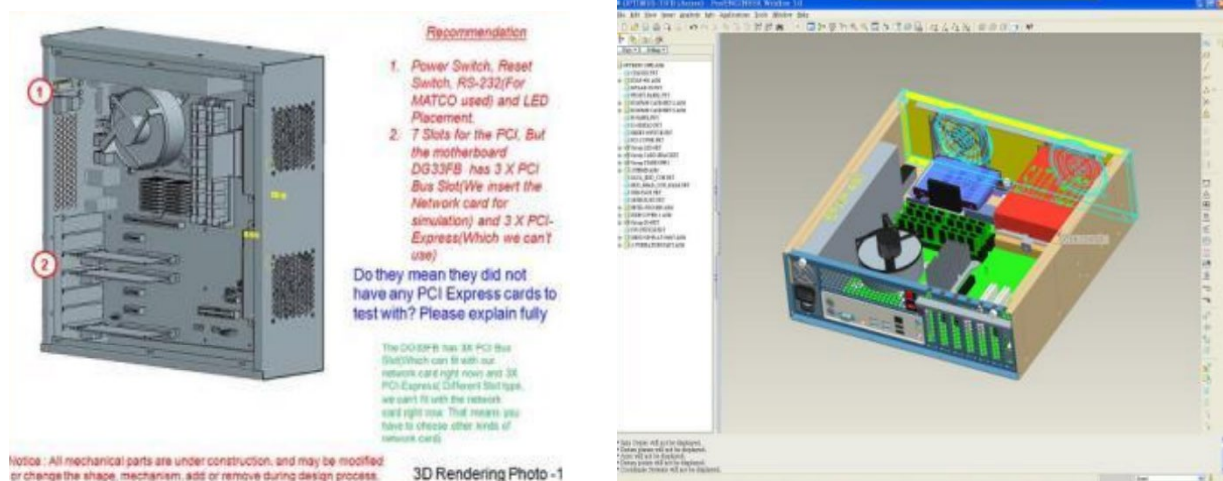


Core Service Features of Cheng Fwa



1. Design

Starting from the customer's initial concept, we provide customized OEM/ODM services for industrial enclosures. From ID to mechanical component design, we tailor our services to meet various customer needs.



2. Prototype Production

To support customers in the prototyping of new products, we offer production services using laser cutting, NCT punching press, and other equipment to fulfill early-stage sampling requirements.



NCT Punching
Press



Laser Cut

3. Mass Production

We provide high-quality and stable stamping production services to meet customers' large-volume manufacturing demands.



Press Production

4. Tooling Design & Fabrication

By producing tooling in-house, we shorten lead time, enhance precision, and extend the service life of the molds, thereby increasing customer satisfaction.



Wire Cutting



Machine Center



Assemble Tool

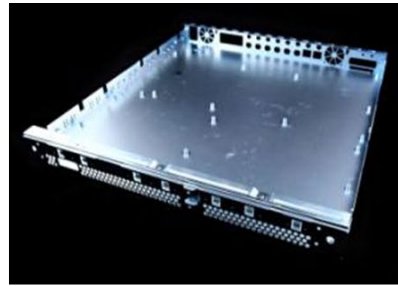
5. Finishing Processing

We offer post-processing services to help customers save time and cost while ensuring consistent quality. Our services include: ultrasonic cleaning, surface treatment, cleanroom screen printing, painting, assembly, burn-in testing and verification, and packaging for shipment.



Product Images of Cheng Fwa

1. Metal Components



2. Plastic Components



Cheng Fwa's Position in the Industry Chain

Currently, stamped components are widely used and can be categorized into metal and plastic types. Metal enclosures are manufactured through iron stamping, painting, and assembly. The Company's main products include video decoder housings and computer enclosures, positioning us in the midstream segment of the electronic information industry. The upstream, midstream, and downstream sectors of Taiwan's electronic product enclosure industry are related as follows:

Industry Structure of Taiwan's Electronic Product Enclosure Sector

Industry Category	Business Scope	Products	Representative Companies
Upstream	Iron & Steel Industry	Steel Sheets	China Steel, CHUN YUAN STEEL, SUN RICH STEEL, MASON METAL
	IC Industry	CPUs, Chipsets, Memory	VIA Technologies, Winbond Electronics
	Chemical Industry	Chemical Raw Materials	WAH LEE, Ampoc
Midstream	Electronic Product Enclosure Manufacturing	Electronic enclosures, computer cases	Cheng Fwa, ENLIGHT, Hon Hai, LOYALTY FOUNDER
	Key Component Manufacturing	HDDs, FDDs, PCBs, Motherboards, Power Supplies, Monitors, Keyboards, Mice	COMPEQ, ASUS, Delta, AUO, GIGA-BYTE
Downstream	Personal Computer	Desktops, Laptops, Handheld PCs	Acer, MiTAC, FIC, Tatung
	Peripheral Equipment	Scanners, Printers	HP, EPSON

Management System Certifications



IATF 16949



QC 080000



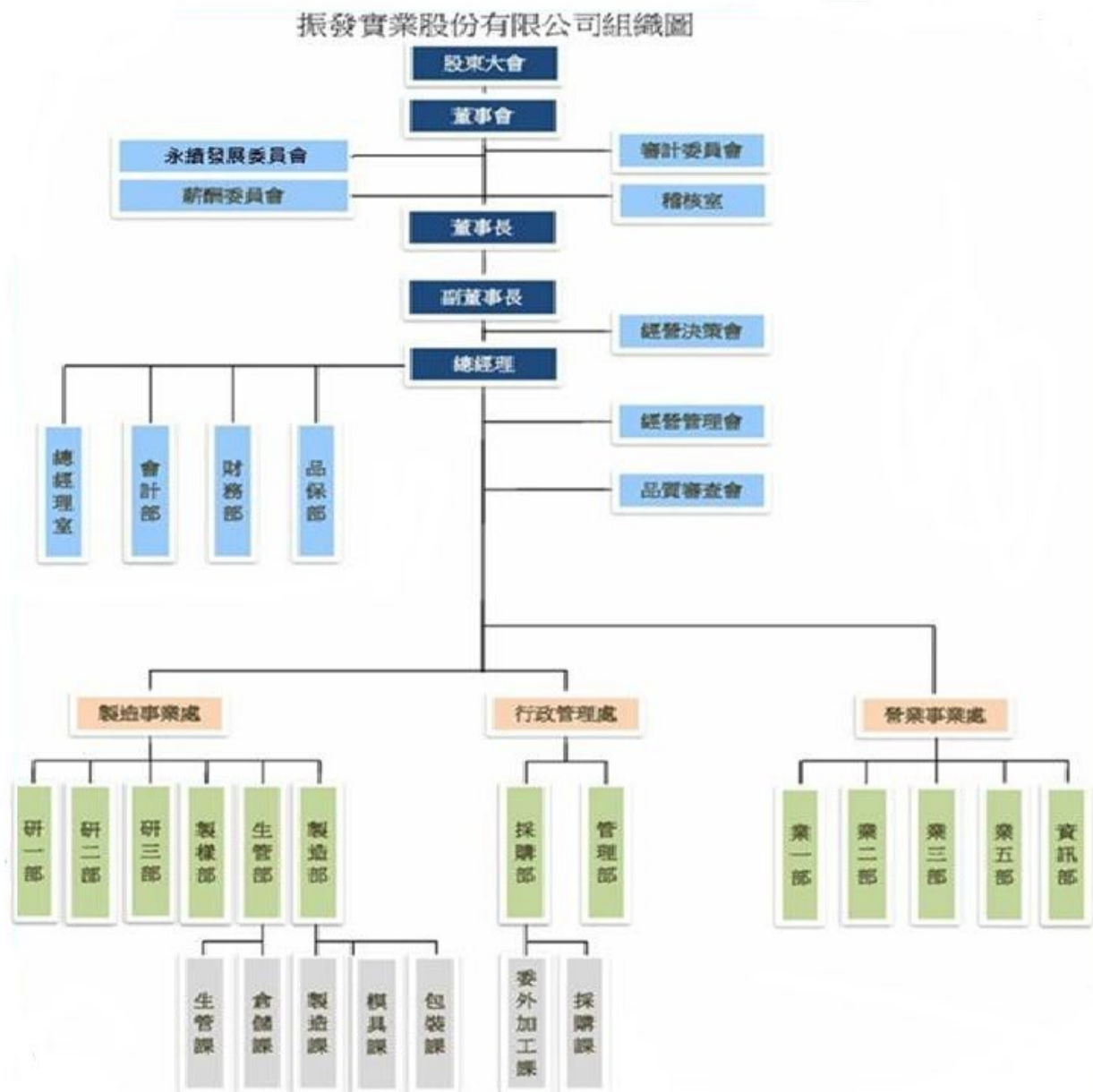
ISO 14001



ISO 9001



2.2 Management Structure



2.3 Corporate Honors and Participation in External Organizations

Corporate Honors	
Awarded as an Outstanding Enterprise for Disaster Prevention in New Taipei City, 2022	
Sponsored the Year-End Banquet Event for Elderly Living Alone in Sanchong District, New Taipei City, organized by the New Taipei City Government in 2024	

Participation in External Organizations

Despite his busy schedule, President Tsai Tsung-Hsun actively engages in charitable endeavors and participates in public welfare associations such as the Tong-Xin-Yuan Fellowship Association and the Sanchong Office of the New Taipei City Friends of the Police Association. President Tsai also encourages senior executives to actively participate in a diverse range of professional and management-related associations. In addition to enhancing the Company's product competitiveness, Cheng Fwa proactively engages with stakeholders from all sectors. Through participation in industry-related associations, the Company maintains positive interaction with members and keeps abreast of the latest industry developments.

Association Name	Participation Role
Tong-Xin-Yuan Fellowship Association	Tsai Tsung-Hsun, President
Sanchong Office of the New Taipei City Friends of the Police Association	Tsai Tsung-Hsun, President
Taipei City Department of Labor Committee	Attorney Chen Wen-Yuan, Advisor

III. Responsible Governance

In accordance with the Company Act, the Securities and Exchange Act, and other relevant regulations, Cheng Fwa has established a sound corporate governance system and an effective governance framework. The Company's directors and employees act in accordance with internal policies adopted and approved by the Board of Directors and disclosed on the Company's official website, including the Corporate Governance Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Codes of Ethical Conduct, and Operating Procedures for Internal Major Information Processing and Prevention and Management of Insider Trading. Together with the resolutions passed at the Shareholders' Meeting, these policies serve as the basis for exercising authority, guiding the Company's strategies, supervising management, and fulfilling responsibilities to the Company and its shareholders, thereby strengthening the Company's corporate governance structure. Cheng Fwa continues to operate with overall governance effectiveness and integrity and is committed to further enhancing its corporate governance performance and reinforcing stakeholder trust.

Corporate Governance Achievements in 2025

- 2025 (the 11th) Corporate Governance Evaluation:
Cheng Fwa ranked within the 51%–65% percentile among the companies with stocks traded OTC without regard to their market values, and Cheng Fwa also ranked within the 21%–40% percentile among the companies with stocks traded OTC and with each of their market value under NT\$5 billion.
- The performance evaluations of the Board of Directors and functional committees were rated “Good to Excellent.”
- Total training hours for the Corporate Governance Officer reached 12 hours.
- Directors completed a total of 48 training hours, meeting the annual training requirements set by the competent authority, reflecting Cheng Fwa's professional commitment to strengthening corporate governance operations.
- The Company has achieved specific management goals under its board diversity policy:
 - 1) Independent directors accounted for 67% of the board, exceeding the legal requirement.
 - 2) Directors concurrently serving as managers accounted for less than one-third of the board
 - 3) At least one female director is on the board
- By August 2025, the relevant regulations on insider equity transactions had been communicated to directors, managers, and other relevant personnel.

Corporate Governance Best Practice Principles	Procedures for Ethical Management and Guidelines for Conduct	Codes of Ethical Conduct	Operating Procedures for Internal Major Information Processing and Prevention and Management of Insider Trading
			

3.1 Governance Practices

3.1.1 Board of Directors

The Shareholders' Meeting, composed of all shareholders, serves as the Company's highest decision-making body and is responsible for decisions on major corporate matters. The Board of Directors is the highest governance authority. Members of the Board are responsible for formulating the Company's operational policies, reviewing financial performance, and ensuring compliance with all relevant laws and regulations. To improve the effectiveness of corporate governance and enhance competitiveness, the Board has established two functional committees: the Compensation Committee and the Audit Committee. The Compensation Committee assists the Board in the overall management of the Company's compensation policies, systems, standards, and structures, ensuring that reward programs are fair and ethically administered. The Audit Committee oversees the proper presentation of financial statements, appointment/dismissal and independence/performance of certified public accountants, effectiveness of internal controls, compliance with relevant laws and regulations, and risk management of the Company.

- **Nomination and Selection of Board Members**

The nomination and election of Cheng Fwa's directors follow the candidate nomination system as stipulated in the Company's Articles of Incorporation and are conducted through regular elections. The composition of the Board of Directors emphasizes diversity and must include the professional knowledge, skills, and competencies required for executing their duties. Directors who concurrently serve as managers of the Company may not exceed one-third of the board seats, and the tenure of independent directors should not exceed three consecutive terms. Independent directors are appointed based on a prudent evaluation of their professional qualifications and their ability to exercise authority independently and objectively. The Company adopts a cumulative voting system with written ballots for electing directors.



- **Board Diversity and Professional Expertise**

The current Board of Directors is composed of six members, including four independent directors. Two directors are employees of the Company, accounting for 33%, while independent directors account for 67%. None of the independent directors has served more than three consecutive terms. Currently, the Board includes one female director. Moving forward, the Company aims to increase the number of female directors to at least two.

Board Diversity

Core Competencies		Gender	Business Judgment	Accounting & Financial Analysis	Business Management	Crisis Management	Industry Knowledge	Global Market Perspective	Leadership	Decision-Making Ability
Board Member										
Chairman	Tsai Tsung-Hsun	Male	✓	✓	✓	✓	✓	✓	✓	✓
Director	Tai Yang Co., Ltd.	Male	✓	✓	✓	✓	✓	✓	✓	✓
	Representative: Li Cheng-Zhong									
Independent Director	Chiu Chuei-Yu	Male	✓		✓	✓	✓	✓	✓	✓
Independent Director	Li An-Min	Male	✓		✓	✓	✓	✓	✓	✓
Independent Director	Guanyu- Chen	Male	✓	✓	✓	✓		✓	✓	✓
Independent Director	Biyuan- Wei	Female	✓	✓	✓	✓		✓	✓	✓

Board Operations

Cheng Fwa convenes its Board of Directors meetings every three months to formulate business plans, review operational performance, assess financial and operational risks and opportunities, and discuss key ESG strategic issues and material matters. In 2025, the Board met a total of six times, with an average attendance rate of 85.42%. No complaints or issues were received in 2025 that had a material impact on the Company's operations or financial matters.

Board Meeting Attendance Overview

Title	Name	Meetings Required (A)	Meetings Attended (B)	Attendance Rate (%) [B/A]	Remark
Chairman	Tsai Tsung-Hsun	6	6	100.00%	To be re-elected, one must attend 6 meetings.
Director	Tai Yang Co., Ltd. (Representative: Li Cheng-Zhong)	6	5	83.33%	To be re-elected, one must attend 6 meetings.
Independent Director	Chiu Chuei-Yu	6	4	66.67%	To be re-elected, one must attend 6 meetings.
Independent Director	Li An-Min	6	5	83.33%	To be re-elected, one must attend 6 meetings.
Independent Director	Yen Ching-Fen	2	2	100.00%	Stepping down on June 20, 2025. Required to attend 2 meetings
Independent Director	Wang Shu-Ling	2	1	50.00%	Stepping down on June 20, 2025. Required to attend 2 meetings
Independent Director	Guanyu- Chen	4	4	100.00%	Newly appointed on June 20, 2025; required to attend 4 times.
Independent Director	Biyuan- Wei	4	4	100.00%	Newly appointed on June 20, 2025; required to attend 4 times.

● **Recusal of Directors from Matters Involving Conflicts of Interest**

Cheng Fwa's directors uphold a high level of self-discipline and rigorously follow conflict-of-interest principles. For proposals at Board and committee meetings involving personal or corporate interests, the relevant directors must disclose the key content of the conflict and recuse themselves from both discussion and voting. They are also prohibited from acting as proxies for other directors. The implementation in 2025 is summarized as follows:

Meeting	Directors Involved	Agenda Item	Conflict of Interest and Voting Outcome
Board of Directors	Tsai Tsung-Hsun, Li Cheng-Zhong	2025 Performance Bonuses and Year-End Bonuses for Managers	Chairman Tsai Tsung-Hsun and Director Li Cheng-Zhong, both being Company managers, recused themselves in accordance with regulations. The remaining four directors (including proxies) approved the motion without objection.

● **Director Training**

job title	Name	date	Organizer	Hours	Course Name
director	Li Cheng-Zhong	2025.7.29	OTC Center	3	Equity Promotion Meeting for Insiders of OTC and Emerging Stock Companies
director	Li Cheng-Zhong	2025.9.26	China Corporate Governance Association	3	ESG Disclosure Framework and Risk Monitoring
director	Li Cheng-Zhong	2025.10.16	Financial Supervisory Commission	6	The 15th Taipei Corporate Governance Forum
Independent Directors	Chiu Chuei-Yu	2025.8.12	China Corporate Governance Association	3	How can enterprises optimize innovation and intellectual property management in the face of the digital wave?
Independent Directors	Chiu Chuei-Yu	2025.11.18	China Corporate Governance Association	3	Develop sustainable performance indicators and rewards
Independent Directors	Li An-Min	2025.9.25	Securities Fund	3	The principles of stablecoins and the development trend of blockchain virtual assets
Independent Directors	Li An-Min	2025.9.25	Securities Fund	3	International Situation and Taiwan's Industrial Dynamics under Trump 2.0
Independent Directors	Guanyu- Chen	2025.8.26 2025.8.27	Securities Fund	12	Practical Training Course for Directors and Corporate Governance Executives
Independent Directors	Biyuan- Wei	2025.8.26 2025.8.27	Securities Fund	12	Practical Training Course for Directors and Corporate Governance Executives

To implement effective risk management and enhance willingness among professionals to serve as directors, Cheng Fwa purchases director liability insurance annually to provide assurance for directors in the execution of their duties and reduce potential significant risks to the Company and its investors.

● **Appointment and Training of Corporate Governance Officer**

To enhance the support provided to directors and improve Board efficiency, on May 10, 2023, the Board appointed Assistant President Li Cheng-Zhong from the Management Department to concurrently serve as the Corporate Governance Officer. In 2025, the Corporate Governance

Officer completed 12 hours of training, fulfilling the legal requirements. Training details are as follows:

Date	Organizer	Training Courses	Hours
2025/07/29	OTC Center	Equity Promotion Meeting for Insiders of OTC and Emerging Stock Companies	3
2025/09/26	China Corporate Governance Association	ESG Disclosure Framework and Risk Monitoring	3
2025/10/16	Financial Supervisory Commission	The 15th Taipei Corporate Governance Forum	6

3.1.2 Functional Committees

● Audit Committee Operations

The Audit Committee of Cheng Fwa, in accordance with the "Audit Committee Organizational Procedures," assists the Board of Directors in overseeing the proper presentation of the company's financial statements, the selection (dismissal) and independence and performance of the auditors, the effective implementation of the company's internal controls, the company's compliance with relevant laws and regulations, and the management of company risks. The committee submits its assessment results to the Board of Directors for discussion. Currently, four independent directors serve as audit committee members, one of whom is the convener. At least one independent director must possess accounting or finance expertise. The term of office for committee members is from June 20, 2025 to June 19, 2028. The Audit Committee holds at least one meeting per quarter, and a total of five meetings were held in 2025, with an average attendance rate of 85% for all committee members.

job title	name	Number of times required to attend (A)	Number of times required to attend (B)	Actual attendance rate (%) (B/A)	Remark
Independent Directors (Convenors)	Chen Guanyu	3	3	100.00%	Newly appointed on June 20, 114, required to attend 3 meetings.
Independent Directors	Wei Biyuan	3	3	100.00%	Newly appointed on June 20, 114, required to attend 3 meetings.
Independent Directors	Yan Qingfen	2	2	100.00%	He stepped down on June 20, 1914, and was required to attend two meetings.
Independent Directors	Wang Shuling	2	1	50.00%	He stepped down on June 20, 1914, and was required to attend two meetings.
Independent Directors	Qiu Chuiyu	5	4	80.00%	To be re-elected, one must attend 5 meetings.
Independent Directors	Li Anmin	5	4	80.00%	To be re-elected, one must attend 5 meetings.

● Compensation Committee Operations

To improve the compensation system for directors and managers and to assess whether their performance and compensation are fair and reasonable, Cheng Fwa Board of Directors adopted the "Organizational Procedures for the Compensation Committee" to establish a Compensation Committee within the Board of Directors. The committee consists of 5 members, including 2 independent directors. None of the 5 members hold concurrent positions on the compensation committees of other publicly listed companies. The committee held 2 meetings in 2025, with a 100% attendance rate.

Title	Name	Meetings Required (A)	Meetings Attended (B)	Attendance Rate (%) (B/A)
Independent Director (Convener)	Chiu Chuei-Yu	2	2	100%
Independent Director	Li An-Min	2	2	100%
Independent Director	Yen Ching-Fen	2	2	100%
Other	Shen Ming-Chieh	2	2	100%
Other	Hsu Chuan-Yi	2	2	100%

The main responsibilities of the Compensation Committee include formulating and periodically reviewing the performance evaluation and compensation policies, systems, standards, and structures for directors and managers. The Committee regularly evaluates the compensation of directors and managers and, based on corporate goals, business performance, and industry competitiveness, reviews their remuneration on an as-needed basis. The scope includes the Chairman, President, Assistant Presidents, and personnel of equivalent rank. Currently, no external compensation consultants are engaged. Director compensation is determined based on the Company's Articles of Incorporation and allocated as a portion of profit. Manager compensation includes fixed monthly salary, bonuses, and participation in employee retirement benefits. There are currently no clawback mechanisms or severance pay policies in place.

Structure of Director and Manager Compensation	Director	Manager
Fixed and Variable Compensation	X	V
Signing or Recruitment Bonuses	V ^{Note}	X
Severance Pay	X	V
Clawback Mechanism	X	X
Retirement Benefits	X	V

Note: If the Company is profitable in a given year, the Board may resolve to allocate no more than 2% of earnings as compensation for directors and supervisors.

Operation of the Sustainable Development Committee

In June 2025, Cheng Fwa established the "Sustainable Development Committee" under the Board of Directors. In accordance with the "Organizational Regulations of the Sustainable Development Committee of Cheng Fwa Industrial Co., Ltd.", the committee holds at least two meetings annually. The Sustainable Development Committee consists of three members: two directors and one independent director. It reports to the Board on the annual results and the implementation plan for the following year. One meeting was held in 2025, with attendance 100%

job title	name	Number of times required to attend (A)	Number of times required to attend (B)	Actual attendance rate (%) (B/A)	Remark
convener	Tsai Tsung-hsun	1	1	100%	Chairman
Committee	Li Zhengzhong	1	1	100%	director
Committee	Chen Guanyu	1	1	100%	Independent Directors

3.1.3 Board, Director, and Functional Committee Performance Evaluation

To establish a sound operational system for the Board of Directors and enhance its supervisory function, Cheng Fwa has implemented organizational rules for each of its functional committees, clearly defining their respective responsibilities and compliance requirements. In order to improve the quality of board decision-making, the Board approved the “Board Performance Evaluation Measures”, whereby annual internal performance evaluations are conducted through questionnaires. These evaluations cover the overall Board, individual directors, and each functional committee.

In 2025, the internal performance evaluations for the Board, its members, and functional committees (Compensation Committee and Audit Committee) were all rated as “Excellent,” demonstrating that the Board and its committees are functioning effectively and in line with good corporate governance standards.

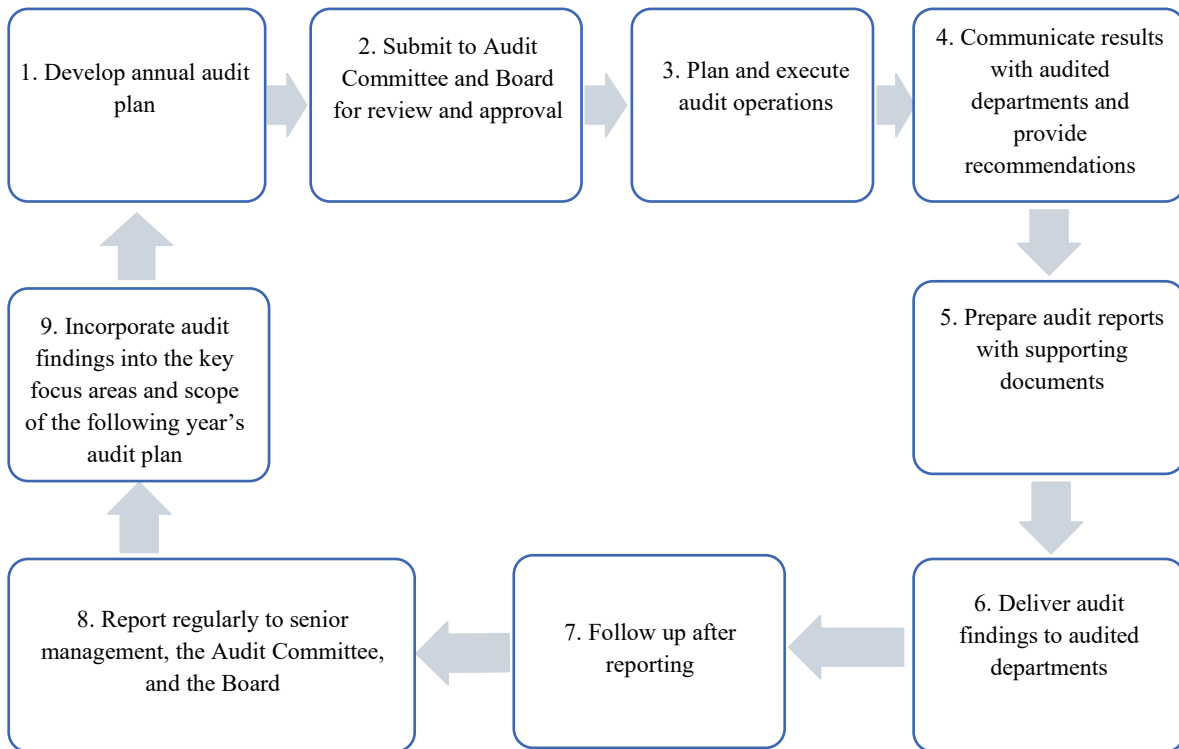
3.1.4 Internal Audit

The purpose of internal audit is to assist the Board of Directors and management in examining and reviewing deficiencies in the internal control system, evaluating the effectiveness and efficiency of operations, and providing timely improvement recommendations to ensure the internal control system is effectively implemented and serves as a basis for its continual review and enhancement.

Internal Audit Organization and Operation

1. The Audit Office is subordinate to the Board of Directors. The appointment or dismissal of the Head of Internal Audit requires the consent of the Audit Committee and the approval of the Board. The Head attends Board meetings to report on audit matters.
2. The Audit Office is staffed with qualified and full-time auditors, and a designated acting officer is appointed. Auditors submit required filings in the format prescribed by competent authorities and complete mandatory training hours to maintain and enhance professional knowledge and skills.
3. Before the end of each fiscal year, the Audit Office prepares an annual audit plan for the following year based on identified risks. The plan is submitted for approval by the Audit Committee and the Board. Special audits may be carried out when needed. The audits evaluate the implementation of internal controls across all departments and result in audit reports submitted for review by independent directors.
4. The Audit Office also reviews each unit’s self-assessment processes, including verifying execution and reviewing documentation to ensure quality. The consolidated results are submitted to the Chairman and reported to the Audit Committee and the Board.
5. The primary responsibilities of the Audit Office include formulating and executing audit plans, overseeing internal control self-assessments, organizing statutory training, and promoting and refining internal control and audit systems.

Internal Audit Flowchart

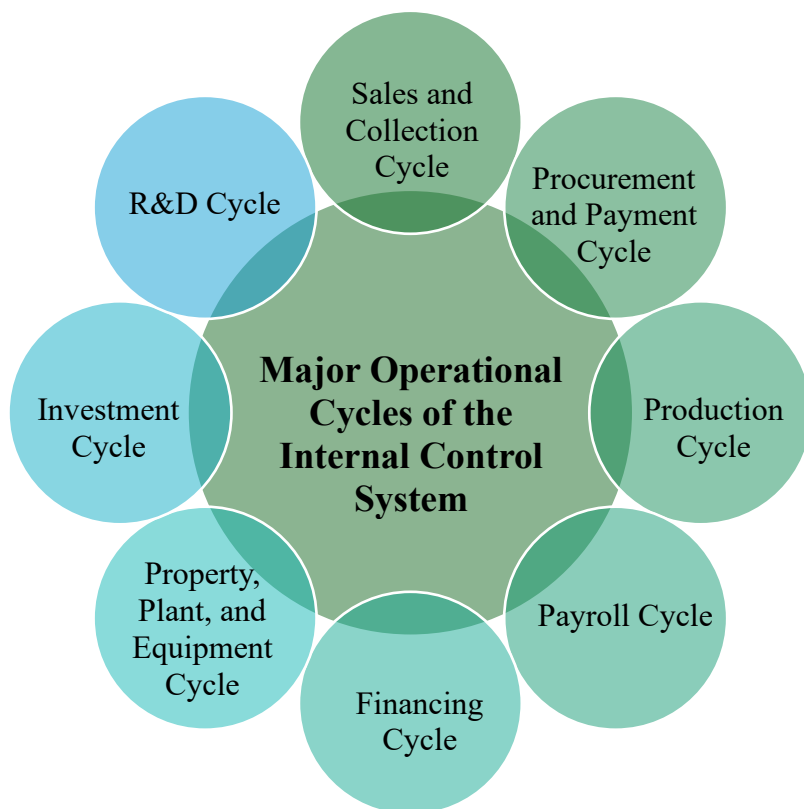


Audit Responsibilities

- Promote and execute the internal control and internal audit systems
- Establish, revise, and enforce internal audit implementation guidelines
- Plan, perform, and report audit operations
- Plan, execute, review, improve, and follow up on self-assessment activities
- Prepare the Statement of Internal Control
- Evaluate and make recommendations regarding the implementation of Company policies, procedures, plans, and systems
- Report audit activities to independent directors regularly and present at Board meetings
- Conduct audits according to the annual plan and submit audit reports with identified deficiencies and improvement suggestions; follow up on corrective actions
- Handle other ad hoc audit assignments as delegated

Internal Audit Execution Status

Each year, the Audit Office conducts operational audits focused on the major operational cycles of the internal control system, including: sales and collection, procurement and payment, production, payroll, financing, fixed assets (property, plant, and equipment), investment, R&D cycles, and information security. The audit scope covers all departments of the Company, including the Business Division, Administration Division, Manufacturing Division, Quality Assurance Department, Office of the President, Finance Department, and Accounting Department.



In 2025, the key focus of internal audit was determined based on risk assessment results and legally mandated audit items. Audits were conducted on control procedures of major operational cycles and compliance with regulations. A total of 45 audit reports were issued in 2025, identifying 2 improvement items. The audited units were notified in a timely manner and took appropriate corrective actions, with the Audit Office continuing to monitor the progress of improvements. The annual Internal Control System Statements are available on the Market Observation Post System (MOPS).

Key Audit Areas in 2025	
1. Audit of derivative transactions (monthly)	7. Audit of procurement and payment cycle
2. Audit of loans and endorsements/guarantees (quarterly)	8. Audit of production and property, plant, and equipment cycle
3. Audit of functional committee operations (Board of Directors / Audit Committee / Compensation Committee)	9. Audit of investment and financing cycles
4. Audit of financial reporting and information security	10. Audit of R&D cycle
5. Audit of related party transactions and subsidiary oversight	11. Follow-up on corrective actions for irregularities and assignments from senior management
6. Audit of sales and collection cycle	12. Execution of the annual internal self-assessment process

3.2 Risk Management

To fulfill its corporate governance obligations, maintain the goal of sustainable operations, and manage internal and external risks that may affect its economic, social, and environmental performance, the Company's Board of Directors has approved the "Risk Management Policies and Procedures," which clearly define the risk management policy and implementation guidelines. The Board of Directors serves as the highest supervisory body for risk management, aiming to comply with regulations, promote and implement enterprise-wide risk management, and clearly understand the risks related to sustainable operations to ensure the effectiveness of risk control. Management meetings or operational meetings chaired by the President or relevant department heads are responsible for reviewing the risk assessments and contingency planning for the projects and initiatives initiated by each responsible department.

Risk Management Organization Structure and Responsibilities

The Company reviews its business nature and operations and incorporates the following risk categories into its management framework:

Risk Category	Responsible Department	Risk-Related Business Matters
Strategic Management Risk	President Office	Formulate future business policies, chair management/operational meetings, and review risk assessments and contingency plans of departmental projects.
Capital Expenditure Risk	President Office	Evaluate the feasibility and risks of major investments and capital expenditures to ensure alignment with long-term development goals.
Legal Risk	President Office	Review contracts, corporate authorizations, and mitigate legal risks to protect tangible and intangible corporate assets.
Operational and Market Risk	Sales Department	Execute R&D, production, and sales strategies; improve technology, enhance quality, reduce costs, and increase profitability.
Financial and Liquidity Risk	Finance Department	Hedge interest and exchange rate fluctuations, manage bank credit lines and maintain relationships.
Customer Credit Risk	Finance Department	Establish and review customer credit limits.
Climate Change and Environmental Risk	Environmental Sustainability Task Group	Monitor environmental regulations, formulate energy-saving and carbon reduction strategies, and ensure compliance with sustainability practices.
Occupational Safety Risk	Administration Department	Manage workplace safety, comply with labor safety regulations, and minimize occupational injury risks to protect employee health and safety.
Raw Material Price and Supply Chain Risk	Procurement Department	Monitor raw material price fluctuations, manage supplier relationships, ensure stable supply, and reduce cost volatility.
Information Security Risk	IT Department	Ensure confidentiality, integrity, and availability of information to support daily operations and build a solid foundation for sustainable development.

Risk Management Procedures and Operation

Procedure	Operation
Risk Identification	Personnel from each responsible department must identify potential risks within their scope of authority.
Risk Measurement	After identifying potential risks, departments must establish appropriate measurement methods as the basis for risk management.
Risk Monitoring	Departments must monitor potential risks associated with their business operations and assess the likelihood and impact of each risk.
Risk Response	Based on the assessment, departments should adopt appropriate response measures for identified risks, such as clarifying the risk, preparing evaluation reports, and executing contingency control plans.
Risk Reporting and Disclosure	The Company regularly reports the risk status to the Board of Directors for management reference, ensuring the implementation of risk management procedures and verification of results.

Risk Items and Mitigation Measures in 2025

Aspect	Risk Item	Risk Management Strategy / Mitigation Measures
Economic	Interest Rate Fluctuations	1. The Company primarily operates using its own capital. Although there are occasional short-term borrowing needs, the amounts are small and the terms are short. Should short-term funding be required in the future, it can be covered by cash deposits, thus the impact of interest rate fluctuations is limited. 2. Interest rate risk mainly stems from floating-rate time deposits. To mitigate operational risk due to interest rate changes, the Company selects reputable financial institutions for transactions and maintains close contact with these banks to secure favorable rates, aiming for higher returns under low-risk conditions.
	Exchange Rate Fluctuations	1. Some of the Company's foreign currency receivables and payables are in the same currency, which creates a natural hedge effect. As this method does not qualify under hedge accounting, the Company does not adopt hedge accounting. 2. The Finance Department maintains close contact with the foreign exchange departments of financial institutions to continuously gather information on exchange rate trends and take timely and favorable countermeasures to reduce the negative impact of exchange rate fluctuations. 3. The Company retains foreign currency in its foreign currency deposit accounts to meet foreign exchange funding needs and adjusts holdings based on exchange rate changes to mitigate impact. 4. Given the significant portion of the Company's sales that are denominated in foreign currencies, the Company may consider using forward exchange contracts when necessary to reduce the impact of exchange rate fluctuations on its profits and losses.
	Inflation	The Company monitors fluctuations in raw material market prices and maintains strong relationships with suppliers. Customer pricing is adjusted appropriately based on market conditions to mitigate the impact of cost changes on profitability. Additionally, a strict budgeting system and internal controls are implemented to ensure operating costs and expenses are kept within reasonable limits.
	Credit Risk	Each department of the Company manages credit risk based on the Company's established credit risk policies, procedures, and controls. The Company's main clients are reputable domestic and international corporations. Credit assessments for all counterparties are based on a combination of factors, including financial status, credit ratings, historical transaction records, current economic conditions, and the Company's internal rating standards. When necessary, the Company also adopts credit enhancement tools (such as advance payments or accounts

		receivable insurance) to reduce credit risk from specific counterparties.
Corporate Governance	Changes in Industry Technology and Market, Shifts in Customer Demand	Conduct regular market trend analyses and forward-looking technology research to promptly adjust R&D priorities in response to market shifts. Enhance customer engagement by regularly surveying changes in customer needs and flexibly adjusting product development plans to meet new demands.
	Operational Underperformance, Demand Risk—Order Cancellations or Shipment Delays	1. Diversify customers across different industries to reduce the risk of declining demand from any particular sector. 2. Engage in real-time currency buying or selling to ensure net exposure remains within acceptable levels.
	Regulatory Changes	In response to ESG-related regulatory changes, the Company has established an Environmental Sustainability Task Group responsible for monitoring regulatory updates, promoting carbon inventory and emission reduction strategies, enhancing energy efficiency, and implementing green supply chain management. Additionally, the Company aims to strengthen corporate social responsibility by safeguarding labor rights and promoting diversity and inclusion, while enhancing transparency in information disclosure to meet stakeholder expectations, continuously improving ESG performance and ensuring sustainable competitiveness.
	Leakage of Trade Secrets / Intellectual Property Rights	1. Continuously review and implement a hierarchical management system for trade secrets. 2. Encourage independent technological innovation and enhance employee awareness regarding intellectual property protection and infringement risks. 3. Conduct regular patent searches to ensure new products do not infringe existing patents; reinforce patent application and protection processes.
	Cybersecurity and Confidential Information Leakage Risk	1. Data center maintenance services maintain $\geq 98\%$ availability during working hours annually. 2. Critical business systems maintain $\geq 98\%$ service availability during working hours annually. 3. Information center and operational disruptions due to cybersecurity incidents, abnormalities, or other security events: disruptions ≤ 1 occurrence/quarter, downtime ≤ 4 hours/event. 4. Conduct information asset inventories ≥ 1 time/year. 5. Perform risk assessments and risk management operations ≥ 1 time/year. 6. Conduct internal audits ≥ 1 time/year. 7. Perform business continuity drills ≥ 1 time/year. 8. Review account permissions ≥ 1 time/year. 9. Conduct backup data recovery testing ≥ 1 time/year. 10. Implement cybersecurity testing (social engineering drills) starting in 2025. 11. Conduct periodic cybersecurity awareness campaigns and implement new hire cybersecurity training beginning in 2025.
	Product Safety	All of the Company's products are responsibly manufactured in compliance with relevant laws and are free from hazardous substances, fully meeting EU RoHS and REACH standards.
	Continual Increase in Raw Material Prices	1. Notify customers of price increase factors and the option to prepare safety stock or lock in prices. 2. Report price adjustments to customers according to the scale of price increases.
	Procurement Risks of Key Raw Materials Not Related to Price (e.g., unstable delivery times for steel plates, electroplating-related materials, or climate-related shipping delays)	1. Inform customers about market supply conditions and request advance purchase orders. 2. Have engineers test alternative materials and seek customer approval. 3. Coordinate with manufacturers and agents to secure maximum supply volumes.
Environmental	Natural Disasters such as Typhoons and Floods	1. Disaster Preparedness: Establish contingency plans, conduct regular drills, and enhance infrastructure and drainage systems. 2. Emergency Response: Monitor weather conditions, implement protective measures in advance, ensure power supply and inventory preparedness.

		3. Post-Disaster Recovery: Inspect equipment for safety, repair damages, and optimize the contingency plans based on lessons learned.
Social	Occurrence of Human Rights Violations	1. Establish management mechanisms to prevent sexual harassment and power harassment; conduct legally required prevention awareness campaigns. 2. Provide training on human rights policy topics on an irregular basis. 3. Implement preventive measures and enhance employee awareness regarding human rights issues.
	High Employee Turnover Rate	1. Monitor employee work conditions in a timely manner and establish sound work procedures. 2. Foster a secure and supportive work environment and provide employees with career development opportunities. 3. Adjust employee benefits accordingly when the Company achieves profitability. 4. Offer diverse activities and club participation opportunities to enrich employees' work-life balance.

3.3 Climate-related Financial Disclosures

Category	Item	Impact Timeframe	Financial Impact on the Company	Risk and Opportunity Management Measures
Transition Risk – Policies and Regulations	Enhanced emissions reporting obligations	Long-term	Policies and regulations formulated to address climate change may result in the imposition of carbon taxes, increasing operational costs. Failure to comply with legal requirements for inventory and disclosure may lead to fines and financial losses for the Company.	1. Continuously conduct ISO 14064-1-1 voluntary greenhouse gas inventories, control carbon emissions, and accelerate the development of emission reduction plans. 2. In the future, the Company will also evaluate options such as purchasing renewable energy and installing solar energy-saving equipment, set carbon reduction targets, and regularly promote energy-saving and carbon reduction practices across departments. 3. Actively monitor government regulations and promptly adjust GHG inventory practices to ensure compliance.
Transition Risk – Market	Rising raw material costs	Long-term	Extreme weather conditions may cause supply shortages of raw materials, leading suppliers to raise prices. Increased raw material costs will raise the Company's operating costs, reduce profitability, and weaken competitiveness.	1. Establish relationships with multiple suppliers to avoid reliance on a single source and build long-term cooperative trust to gain supplier support and priority treatment. 2. Closely monitor market and industry changes, including price trends and supply conditions of raw materials, to anticipate potential issues. 3. Sign long-term supply agreements with suppliers when necessary to ensure stable supply and pricing.
Transition Risk – Technology	Costs of low-carbon technology transition	Long-term	Costs associated with introducing low-carbon technologies (capital expenditure); low-carbon technologies may increase overall costs (higher per-unit production cost).	Evaluate and develop suitable low-carbon technologies, transition material usage, actively develop environmentally friendly and low-carbon new materials, and expand their application in product lines.
Opportunity – Products and Services	R&D and innovation in developing new products and services	Long-term	1. R&D spending and capital investments for new alternative technologies may increase production costs. 2. Costs incurred from adopting/implementing new operational practices and processes. 3. Decreasing demand for non-low-carbon products may lead to asset write-downs or early retirements, causing negative financial impacts.	1. Continuously reduce product carbon emissions to meet customer emission reduction demands. 2. Increase product bargaining power or order volume, thereby boosting sales revenue. 3. Allocate annual R&D budgets from operating revenue to invest in the development of high-performance, low-carbon, and environmentally friendly products.
Physical Risk – Acute	Increased severity of extreme weather events such as typhoons and floods	Long-term	In addition to potential post-disaster recovery costs, extreme weather events may also lead to supply and transportation delays, increased transportation or inventory costs. A supply shortage of critical components may result in delivery delays or customer production interruptions, with the associated losses passed onto the Company.	Continuously reduce product carbon emissions to meet customer emission reduction demands, increase product bargaining power or order volume, thereby boosting sales revenue.

3.4 Regulatory Compliance

Cheng Fwa strictly complies with local regulations in all countries of operation and has established various internal regulations in accordance with the legal standards applicable to public companies. In addition to legal compliance, the Company is also committed to adhering to business ethics in the course of its operations. It has formulated relevant procedures that specifically regulate the conduct of directors, managers, employees, and suppliers during business execution, and disseminates such standards through internal announcements. In the event of any major incident that significantly affects business operations, the Company will disclose it in the sustainability report in line with its principles of transparency and the GRI standards for balanced reporting.

In terms of corporate governance, the Company has established an Audit Committee and an Internal Audit Office to oversee financial operations and internal control systems. The Board of Directors has approved the “Corporate Governance Best Practice Principles” and “Board Performance Evaluation Measures” to encourage active board participation in key decisions. The Company has also appointed a corporate governance officer to assist the Board’s operations and provide professional advice to strengthen the Board’s functions. Going forward, the Company will continue to follow the corporate governance evaluation framework, the Corporate Governance Best Practice Principles, and relevant regulations to enhance employees’ awareness of legal compliance.

In personnel management, new employees are briefed on regulatory compliance, occupational safety and health, environmental protection, and labor-related laws and regulations upon onboarding. In addition, various regulatory training sessions and announcements are held from time to time to ensure employees understand and stay updated on the latest regulations. This helps them review and update their practical operations to avoid violations due to unfamiliarity with the rules. It also strengthens employees’ awareness of compliance and ethics, thereby fulfilling the Company’s basic social responsibilities.

In 2025, the Company had no violations or penalties related to corporate governance, securities transactions, environmental protection, labor and human rights, occupational safety, customer privacy breaches, marketing and labeling, customer health, product safety, antitrust, or fair competition laws. (*Note: A major violation is defined as one involving a fine of NT\$1 million or more.)

◆ Ethical Corporate Management

Cheng Fwa is committed to compliance with laws and regulations and has clearly defined its “Procedures for Ethical Management and Guidelines for Conduct” and “Codes of Ethical Conduct,” both of which have been approved by the Board of Directors. The Company has formed a “Ethical Corporate Management Task Group,” jointly led by the President Office and the Administration Department. The President Office serves as the dedicated unit and reports to the Board of Directors once a year. The Administration Department assists the Board and management in implementing ethical management policies and prevention programs to ensure full adherence to the Ethical Corporate Management Best Practice Principles. The task group reported its implementation status to the Board of Directors on March 7, 2025. On August 8, 2025, the Company held a one-hour training session for newly appointed directors, managers, and employees. The course focused on the Ethical Corporate Management Best Practice Principles and key internal information handling rules, emphasizing the areas employees should be mindful of when conducting business.

The Internal Audit Unit prepares an annual audit plan and executes it upon approval by the Board of Directors. In addition to routine business audits and internal control system reviews of major operational cycles, the audits also cover legal compliance. The results are compiled into audit reports and submitted to the Board of Directors.

◆ **2025 Integrity Education and Training Overall Performance**

To deepen the awareness of business integrity and ethics throughout the business execution process, Cheng Fwa continuously promotes these values during internal and external meetings or via official communications. Management is also expected to lead by example and strictly adhere to integrity principles, thereby gradually shaping an overall corporate culture of integrity.

Sites with Corruption Risk Assessment Conducted	
Major Corruption Risks Identified Through Risk Assessments and Mitigation Measures	Procurement and Bidding Process: Risk of false pricing, collusive bidding, bribery, and bid rigging. Sales and Marketing Process: Sales personnel may exploit their positions to conduct fraudulent sales, price manipulation, kickbacks, or leak trade secrets. Funds Management Department: Employees may engage in embezzlement, false accounting, or money laundering. Asset Management Personnel: Risks include misappropriation or undervalued disposal of assets. Human Resources Management Department: Risks of wage fraud, abuse of authority, and favoritism.
Total Number of Operating Sites Assessed for Corruption Risks	1 (Headquarters)
Proportion of Operating Sites Assessed for Corruption Risks (%)	100%

Communication and Training on Anti-Corruption Policies and Procedures				
Category	Participants in Integrity Training (Number of people/entities)	Participation Rate (%)	Signed Integrity-Related Commitment Letters (Number of people/entities)	Signing Rate (%)
Board of Directors	2	33.3%	6	100%
Employees	337	100%	-	-
Suppliers (including contractors)	14	82%	14	82%
Note 1: Participation Rate = (Number of participants / Total number in each category) × 100%; the same formula applies to the Signing Rate.				
Note 2: Suppliers should be selected based on annual transaction volume exceeding US\$1 million.				

Confirmed Corruption Incidents and Actions Taken	Total Number in the Year	Remarks
Total number and nature of confirmed corruption incidents	0	-
Total number of employees dismissed or disciplined due to corruption	0	-
Total number of business relationships terminated or not renewed due to corruption issues	0	-
Public legal cases involving corruption by the Company or its employees and outcomes	0	-

◆ **Grievance Mechanism and Due Diligence**

The Company has disclosed the “Procedures for Ethical Management and Guidelines for Conduct” on its official website for stakeholder access. It provides whistleblowers with a channel to report any violations of the Codes of Ethical Conduct or Ethical Corporate Management Best Practice Principles, as well as specific complaints regarding current directors, senior executives, or employees suspected of criminal conduct, fraud, or legal violations during their tenure. This mechanism ensures the legal rights of whistleblowers and relevant parties are protected, helps address unreasonable treatment involving violations of social responsibility, and handles complaints and due diligence procedures in accordance with the aforementioned guidelines.

All employees, suppliers, customers, or other relevant personnel may file a report under the following circumstances: violation of the Company’s Procedures for Ethical Management and Guidelines for Conduct, Codes of Ethical Conduct, or unlawful conduct in the workplace, including but not limited to all forms of discrimination, sexual harassment, other types of harassment, and any company rules, systems, or operational matters that infringe upon individual legal rights. The President Office is designated as the complaint-handling unit. The President convenes an investigation team to carry out the investigation. If the report involves a general employee, it shall be submitted to the department supervisor; if it involves a director or a senior executive (including managers and above), it shall be reported to the Audit Committee.

During the due diligence process, impartiality must be maintained, and rules on conflict of interest, confidentiality, and whistleblower protection must be strictly enforced. The Company commits to safeguarding the identity and information of whistleblowers, ensuring that no whistleblower is subjected to improper treatment due to their report, and that those involved are protected from unfair retaliation or discrimination.

In terms of business interactions, the Company has established a risk assessment mechanism for unethical conduct. It regularly analyzes and assesses business activities within its operational scope that pose a higher risk of unethical behavior, and strengthens relevant preventive measures. Prior to any business dealings, the legitimacy of agents, suppliers, customers, or other business partners, as well as whether they are involved in unethical behavior, should be assessed to avoid transactions with such parties. Contracts entered into with agents, suppliers, customers, or other business partners shall include terms requiring compliance with the ethical corporate management policy and allowing for contract termination in the event of unethical conduct.

The Company has established an independent whistleblower channel managed by dedicated personnel, allowing employees, suppliers, and other external stakeholders to report any illegal acts or violations of human rights, the Codes of Ethical Conduct, or the Ethical Corporate Management Best Practice Principles. In 2025, a total of zero complaints were received through the whistleblower mailbox.

Cheng Fwa Whistleblower Channel



3.5 Operational Performance

Material Topic Management Policy: Operational Performance	
Significance and Importance to the Company	The Board of Directors and functional committees appoint managers with professional capabilities to strengthen corporate governance, ensure steady business growth, and further create long-term value for stakeholders while deepening sustainable development. Pursuing consistent and stable profitability is a key objective. In addition to boosting the confidence of investors, employees, supplier partners, and customers, it also fosters mutual prosperity, paving the way toward sustainable business operations.
Policies and Commitments	1. Cheng Fwa's quality policy is "Quality Assurance, Customer Trust, Employee Protection." 2. Regarding hazardous substance-free (HSF) products, the Company is committed to complying with domestic regulatory requirements and actively cooperating with customer demands on hazardous substances in various countries. The Company also continuously monitors changes in laws and local government policies in major sales regions to promptly adjust its business strategies in response to significant changes. 3. The Company continues to pursue innovation in low-carbon product R&D, focusing on core technologies and offering innovative solutions aligned with ESG principles. 4. A comprehensive internal audit control system is established to effectively reduce operational risks and prevent potential losses. 5. The Company is committed to improving business efficiency and creating economic value for employees, shareholders, and society, thereby fulfilling corporate sustainable responsibilities.
Short-Term Goals	1. Continue to maintain partnerships with upstream and downstream suppliers. 2. Deepen collaboration with existing customers and expand product line development. 3. Develop new applications for existing products to expand the customer base. 4. In manufacturing, align with the Company's development strategies to invest in equipment for maximum efficiency, and enhance collaboration with upstream suppliers to improve supply chain efficiency. 5. In business development, increase customer recognition through the Company's listing on the stock exchange and various ISO certifications. Provide comprehensive after-sales service and business capabilities to improve customer satisfaction and trust.
Mid- to Long-Term Goals	1. Market Development Policy: Deepen customer relationships and develop emerging potential customers. 2. Brand Promotion Policy: Use digital media to enhance Company visibility and promote service value. 3. Production Policy: Offer comprehensive services, adopt intelligent management, reduce costs, and strengthen competitiveness. 4. Product Policy: Meet customer needs, implement quality policies, and comply with green environmental requirements. 5. Talent Policy: Recruit and cultivate professionals to boost corporate development momentum.
Resource Input and Actual	1. In addition to improving manufacturing processes to reduce costs, the Company also engages in R&D for new products.

Actions	2. In addition to enhancing service for existing customers, the Company continuously explores domestic and international sales channels to expand its business. 3. To meet labor demands, the Company has hired foreign workers and continues to implement automation by introducing new automated machinery to reduce labor reliance. 4. The Company has formed strategic alliances with renowned domestic computer manufacturers to jointly invest in factory establishments in regions with relatively low labor costs, thereby reducing operational expenses and improving efficiency to meet local delivery requirements from customers.
Performance Results in 2025	1. The Company achieved annual revenue of NT\$1,758,301 thousand, with earnings per share (EPS) of NT\$0.52. 2. The 2025 customer satisfaction score reached 88.2 points, meeting the target (target >85 indicates a satisfactory level). 3. The Company maintained sound financial development with no major financial risk events in 2025.
Performance Evaluation Methods	1. Review operational performance issues through production and sales meetings or monthly business meetings. 2. Hold shareholder meetings and investor conferences regularly to ensure stakeholders are well-informed. 3. Disclose operational and financial status in real time via the Company website and the Market Observation Post System (MOPS).
Responsible Unit	Business Division

Current Products and Services

Cheng Fwa Industrial provides comprehensive customized design services and efficient manufacturing solutions for consumer electronics, industrial computers, server storage equipment and devices, medical supplies, and automotive components. The Company ensures that these solutions deliver safety, high quality, stability, and durability for its customers.

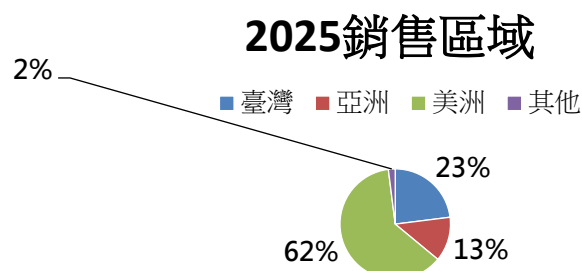
Market and Production/Sales Overview

Primary Products (Services) and Sales (Service) Regions:

- (1) Primary Products: Computer enclosures (including for industrial and personal computers), network connectors, and other electronic components.
- (2) Major Sales Regions:

Unit: NT\$ thousand

Sales Region	Year	2024		2025	
		Amount	(%)	Amount	(%)
Taiwan		373,624	25%	411,500	23%
Asia		166,564	11%	227,204	13%
Americas		937,733	62%	1,087,298	62%
Others		24,714	2%	32,299	2%
Total		1,502,635	100%	1,758,301	100%



Future Market Supply and Demand Outlook and Growth Potential

1. Supply and Demand Outlook

As technology continues to evolve, the computer component market will face ongoing development and upgrades. The introduction of next-generation products such as processors, memory, and storage solutions will influence the structure of demand and supply. Intense competition in the market continues to exert pressure on suppliers. Cheng Fwa will persist in innovation, enhancing product performance and quality, and delivering greater value and service to meet customer needs and expand its market share.

2. Growth Potential

With increasing reliance on computers and digital products, demand for computer components is likely to continue growing. In particular, the expansion of applications in artificial intelligence, big data, and the Internet of Things is expected to drive demand for high-performance and efficient components.

Competitive Advantages

A. Product Design	From project planning to engineering design, Cheng Fwa covers all stages of the product development cycle, offering customers a fast and comprehensive design-to-manufacturing process. The R&D team consists of experienced senior engineers who provide advanced collaborative solutions. They simulate system operations based on the unique nature of each product to verify structural design outcomes, thereby delivering faster sample production and accelerating time to market.
B. Expertise in Mold Design and Development	Since its founding, the Company has continuously dedicated itself to mold development and design, resulting in a highly experienced mold design team. This expertise helps reduce trial-and-error during mold development, shortens mold development timelines, enhances process efficiency, and lowers defect rates through precise mold design.
C. Precision Metal Stamping / Manufacturing	Cheng Fwa is capable of producing cast parts with precise dimensions and complex geometries while effectively reducing the need for secondary machining. The Company's cast products meet the automotive industry's stringent temperature and pressure requirements for critical components. Where precision machining is required, Cheng Fwa's facilities are fully equipped to ensure high-level processing accuracy. These products are often used in industrial-grade motherboards or single-board computers, featuring compact sizes and rugged rackmount enclosures. This includes the latest computer technologies for industrial and military applications. Cheng Fwa's highly durable enclosures provide exceptional quality and performance for computer servers, built to stringent standards to withstand harsh environments—resistant to contamination, extreme temperatures, dust, shocks, and water.

Direct Economic Value Generated and Distributed by the Organization

Unit: NT\$ thousand

Item	2023	2024	2025
Revenue (A)	1,407,951	1,502,635	1,758,301
Operating Costs (B)	1,188,863	1,229,871	1,421,101
Employee Salaries and Benefits (C)	135,039	136,077	152,205
Payments to Capital Providers (D)	30,444	5	73,506
Payments to Government (E)	32,090	21,991	29,287
Community Investment (F)	3,177	4,299	2,469
Retained Economic Value (A – (B~F))	18,338	110,392	79,733

Note:

Payments to capital providers include dividends paid to all shareholders and interest paid to lenders.

Payments to government include all taxes and penalties paid by the organization in accordance with international, national, and local standards.

Taxes may include business tax, income tax, and property tax.

Financial Assistance Received from Government

Unit: NT\$ thousand

Item	2024	2025	Description
iii. Investment subsidies, R&D grants, and other related types of assistance	33	497	Electricity subsidies for base stations; maternity check-up leave subsidies

Note: No other types of subsidies received apart from those listed above.

Tax Policy, Governance, Control, and Risk Management**1. Tax Policy**

- 1) Comply with tax regulations of each region where the Company operates
- 2) Ensure transparency in financial reporting and tax disclosures in accordance with applicable laws
- 3) Transactions between related parties follow OECD transfer pricing guidelines and BEPS (Base Erosion and Profit Shifting) standards
- 4) Utilize legal and transparent tax incentive policies
- 5) Do not use tax havens or engage in tax planning for the purpose of tax avoidance
- 6) Establish mutually respectful and communicative relationships with local tax authorities based on trust, transparency, and compliance
- 7) Tax personnel continue to improve tax governance competencies through irregular internal and external training or participation in tax-related seminars
- 8) Prudently analyze the operating environment and assess tax risks using appropriate management mechanisms

2. Tax Governance, Control, and Risk Management

- 1) **Legal Compliance:** Through proper tax management, enterprises ensure timely tax payment, avoiding legal risks and economic losses from non-compliance.
- 2) **Tax Planning:** Enterprises can optimize their tax structure to reduce tax costs and improve economic efficiency by reasonably utilizing tax incentives and feasible investment credits.
- 3) **Risk Management:** Effective tax management helps identify and assess potential tax risks, and implement measures to control them, preventing or correcting issues such as tax calculation errors or irregular invoice practices.
- 4) **Efficiency Improvement:** Centralized management and automation can improve tax handling efficiency, reduce labor and time costs, and enhance overall financial and operational performance.
- 5) **Rights Protection:** Tax management helps protect enterprises' legal rights. In cases of unreasonable tax imposition, companies can seek legal assistance or file for administrative review to uphold their rights.
- 6) **Compliance Certification:** Enterprises may be required to present tax compliance certificates to tax or regulatory authorities. Good tax management ensures complete records and documentation to avoid inconvenience or extra costs.
- 7) **Resource Allocation:** Through rational tax management, enterprises can allocate limited resources more effectively to core business areas, enhancing competitiveness and market positioning.
- 8) **Anti-Corruption:** Effective tax governance helps prevent and reduce corruption within the organization.

3. Stakeholder Engagement and Management of Tax-related Issues

The Accounting Department is responsible for tax governance and accounting tasks, while the Finance Department is in charge of fund allocation. All types of tax filings are processed in accordance with tax laws, duly reported, and approved as required. The Company also supports government policies promoting research and development and tax incentives, and actively participates in public policy advocacy related to taxation, striving for transparency in tax information. In addressing tax-related risks, the Company is committed to enhancing tax expertise through ongoing training for tax personnel to ensure competency in handling tax matters. For unfamiliar tax issues, the Company proactively consults and communicates with relevant tax authorities. Where necessary, it engages or consults with certified public accounting firms or external professional advisers to ensure proper compliance with tax regulations and filing obligations. These actions safeguard the Company's financial stability and reduce the risks of legal penalties, financial losses, or reputational damage arising from non-compliance with tax laws.

4. Tax Information by Country

Item	2025
Tax Jurisdiction	Taiwan
Name of Resident Entity	Head Office: 5F, No. 252, Sec. 2, New Taipei Blvd., Sanchong Dist., New Taipei City Sanchong Plant: No. 25, Sec. 2, Guangfu Rd., Sanchong Dist., New Taipei City
Principal Business Activities	Precision Stamping Parts Manufacturing and Processing
Number of Employees	320
Revenue from Third-Party Sales ^{Note 1}	NT\$1,758,301 thousand
Income from Intra-group Transactions with Other Jurisdictions (<i>i.e., entities outside Taiwan</i>)	NT\$749,409 thousand
Profit Before Tax ^{Note 2}	NT\$105,795 thousand
Tangible Assets Other Than Cash and Cash Equivalents	NT\$2,409,176 thousand
Corporate Income Tax Paid in Cash ^{Note 4}	NT\$29,287 thousand
Accrued Corporate Income Tax ^{Note 3}	NT\$31,899 thousand

Note 1: Revenue from Third-Party Sales refers to the total revenue from third-party sales in each tax jurisdiction, excluding intra-group transactions, based on the consolidated revenue in the financial statements.

Note 2: Profit Before Tax is based on the consolidated net income before tax.

Note 3: Accrued Corporate Income Tax refers to income tax expenses reported in the consolidated financial statements.

Note 4: Corporate Income Tax Paid in Cash includes actual cash tax payments made to the resident jurisdiction and all other jurisdictions by consolidated entities.

3.6 Products and Services

Sustainability Considerations in R&D and Patent Acquisition

Cheng Fwa Industrial Co., Ltd. centers its production technology on sheet metal stamping, assisting various industries in fulfilling their hardware equipment needs for sheet metal products. By leveraging the material characteristics of sheet metal and enhancing functionality through design, the Company delivers solutions that meet customer requirements.

When clients develop new products, the industry commonly follows the product development flowchart shown below. Cheng Fwa focuses on the EVT → DVT → MP → OP phases, providing assistance in aligning product design with production technologies to achieve maximum efficiency and performance. For each phase, the Company offers optimal manufacturing methods, considering material properties and production costs to reduce excess processing, additional costs, and waste. In some cases, production methods can even be switched to achieve the most cost-effective results.



Clients often specify compliance with safety certifications during the initial product stages, along with clearly defined market plans. With energy conservation, carbon reduction, and ESG considerations in mind, most products are already aligned with marketing strategies. The primary goal during the R&D phase is to help customers reduce costs. Components accumulated through long-term cooperation with clients become advantageous assets, enabling product compatibility and shared use. With over 60 years of experience in the traditional industry and a trusted global customer base, Cheng Fwa supports sustainable production and the creation of product series, achieving modularization as a core R&D value.

Through years of operation, Cheng Fwa's innovations and new applications developed during the R&D process have yielded results in intellectual property. Patent applications not only protect products but also motivate employees in their R&D efforts. A recent application for a utility patent in September 2024 was approved in November (Patent No.: M665138). The Company encourages employee innovation with a well-defined incentive program.

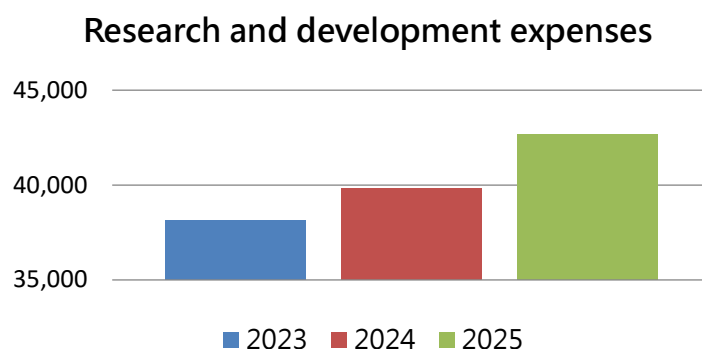
Training of R&D Personnel and Recent R&D Investment

Education and training for R&D personnel are divided into short-, medium-, and long-term programs, planned according to years of service and job responsibilities. Most personnel are currently in mid- to long-term training stages. To stabilize the R&D workforce, the Company has created a long-term, employee-friendly workplace, encouraging progressive learning of industry knowledge for application in product development to enhance competitiveness.

Training Duration	Programs
Short-term (1 year)	1. Improve design capabilities through professional training programs
	2. Understand manufacturing processes and production techniques to align design with manufacturability
	3. Strengthen design and manufacturing expertise to build cost-awareness
Mid-term (2 years)	1. Develop leadership and communication management skills
	2. Enhance cross-departmental and customer coordination capabilities
Long-term (5 years)	Promote interdisciplinary learning to improve individual expertise and foster diversified industrial cooperation

The Company's R&D equipment plan includes software, hardware, and consumables. Software tools are constantly updated with the latest 2D and 3D design applications. Structural simulations help verify design accuracy, reducing errors, lowering the number of sample iterations, and improving production precision — ultimately contributing to energy conservation and carbon reduction. Broader application of design software also helps validate expected outcomes and optimize designs, supported by employee training programs. Hardware is upgraded as needed to stay compatible with software advancements, and all instruments and tools undergo periodic calibration and maintenance. As for consumables, the Company prioritizes the procurement of recyclable, eco-certified products whenever possible.

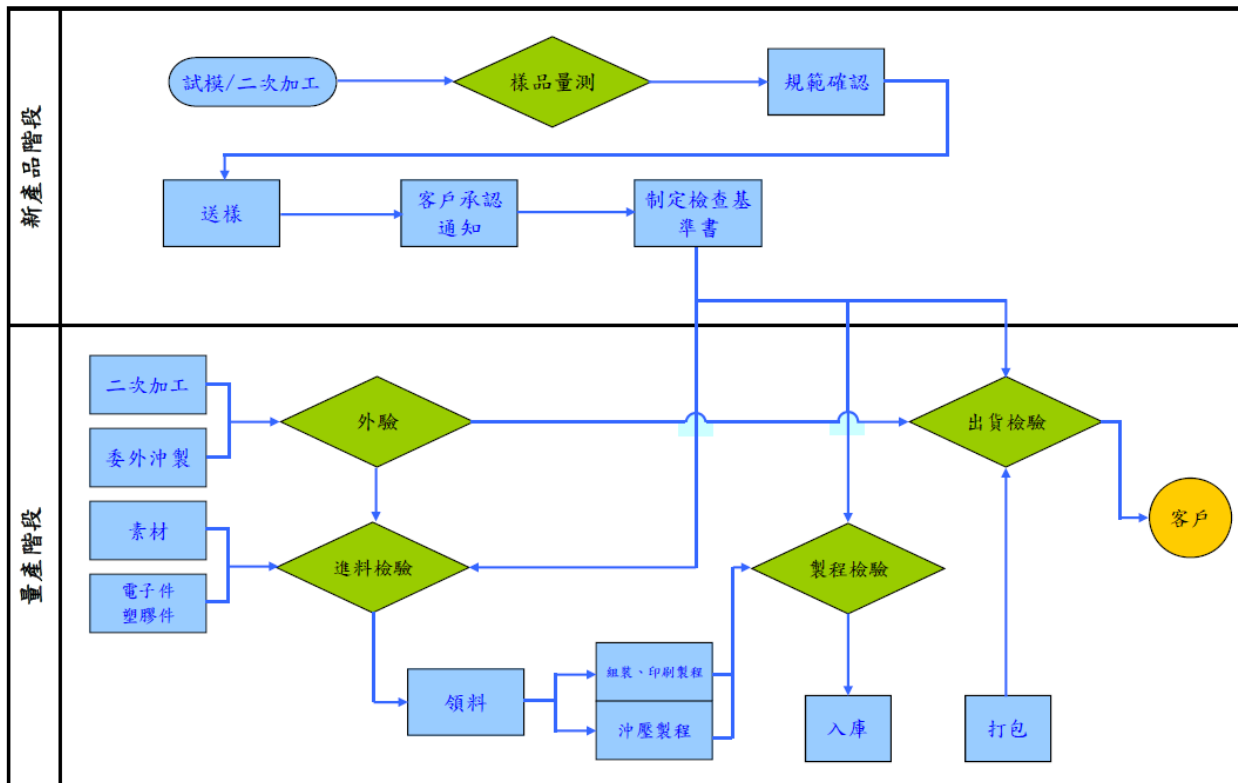
Recent R&D Investment			
Unit: NT\$ thousand; %			
Item \ Year	2023 年	2024 年	2025 年
R&D Expenses	38,126	39,814	42,659
Percentage of Revenue	3%	3%	2%



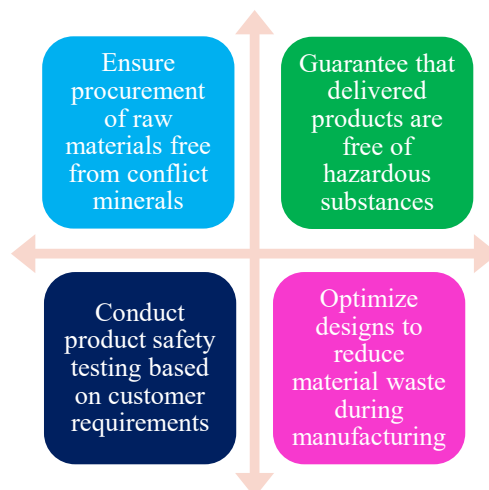
Product Responsibility

Cheng Fwa upholds its quality policy of "Quality Assurance, Customer Trust, Employee Protection" as a cornerstone of its sustainable development. The Company continuously implements ISO 9001, TS 16949, and QC 0800000 standards, optimizing and improving each process and consistently enhancing its quality management system. Flexibility, quality, and speed are the hallmarks of our manufacturing operations. With a comprehensive metal stamping production service system and the integration of engineering dies and progressive dies, we utilize automation and 24-hour production models to deliver the most economical and flexible manufacturing processes. In the finishing processing stage, we offer services such as powder coating, spot welding, cleaning, anodizing, assembly, testing, and packaging. Through all-in-one service and automated equipment, we ensure quality through outbound inspections, always striving for customer satisfaction.

Quality Control Process



Quality Strategy and Management

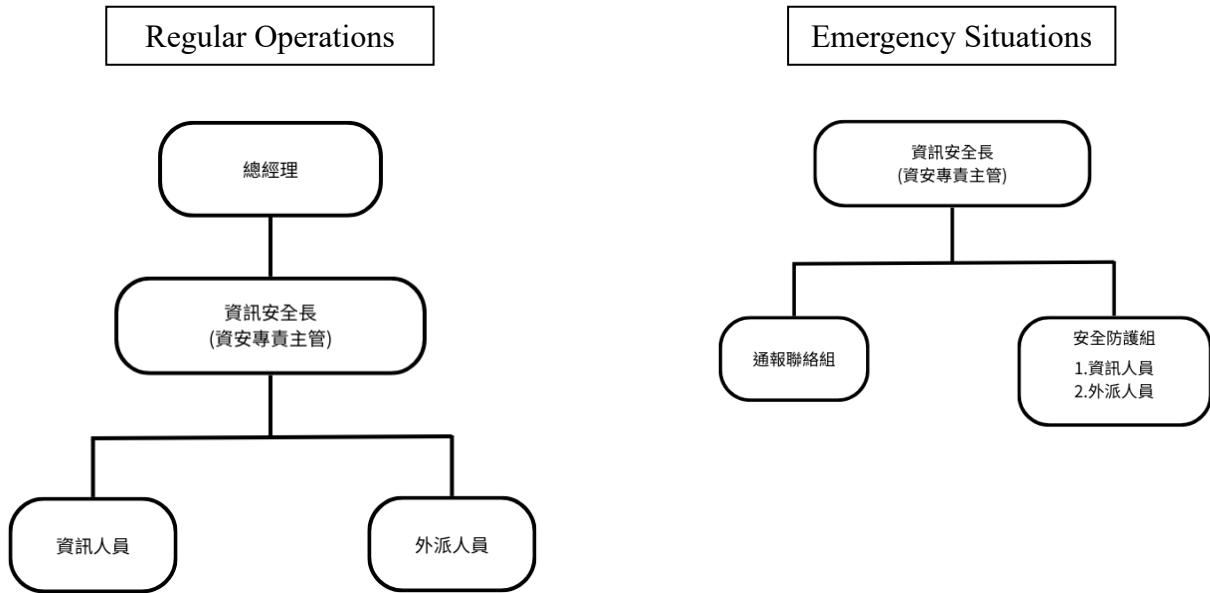


- ✓ In view of the growing environmental impact of waste electrical and electronic equipment, the European Union issued the RoHS (Restriction of the use of Certain Hazardous Substances Directive) in 2002, which regulates the concentration of 10 hazardous substances. 100% of Cheng Fwa's products comply with the RoHS directive limit requirements, with no product returns due to RoHS violations. Additionally, Cheng Fwa's products also comply with other international environmental regulations, such as PFOS, Halogen-Free, REACH SVHC, and TSCA standards.
- ✓ Cheng Fwa also requires its suppliers not to use conflict minerals. According to the guidelines of the Responsible Business Alliance (RBA), the Global Enabling Sustainability Initiative (GeSI), and the Conflict-Free Smelter Program (CFSP), the Company conducts conflict mineral surveys among its suppliers. The goal is to ensure that minerals used in its products—such as tin, tantalum, tungsten, and gold—do not directly or indirectly contribute to profits in conflict regions or result in severe human rights violations. In 2025, the response rate for Cheng Fwa's conflict minerals survey on raw materials reached 100%, in full compliance with the Company's conflict minerals policy.

3.7 Information Security

To strengthen information security management and ensure the protection of confidential information, information assets, systems, and network security of the Company, its partners, and stakeholders, the Company has established an Information Security Committee and IT Department, led by the President as the convener along with all first-level executives. The committee includes a dedicated Chief Information Security Officer (CISO) and at least one information security staff member. The CISO is responsible for formulating the annual information security strategy, while the information security staff oversees the planning, implementation, and analysis of information security incidents and the development of information security education programs. The Information Security Committee integrates, supervises, and coordinates the annual information security plan, information security audit criteria, and resource coordination across departments, as well as overall incident management and emergency response handling. The Information Security Committee convenes once a year to review and approve information security policies and protection guidelines, ensuring the effectiveness of security management measures. In 2025, the Company experienced no significant information security risks or incidents involving customer privacy violations or personal data breaches.

Information Security Management Organizational Structure



Information Security Organization, Members, and Oversight

The highest responsible person for the Company's information security organization is the President, who oversees information security-related policies and resource allocation. Under the President is the Chief Information Security Officer (CISO), who is responsible for promoting and executing information security plans and serves as the primary administrator of information security within the organization. Reporting to the CISO are two categories of personnel: internal IT personnel and outsourced personnel. The former are responsible for the daily operation, maintenance, and security of information systems, while the latter may include contractors or technical support staff, jointly maintaining the stability and security of the overall IT environment. The structure is clear and well-defined, facilitating effective implementation of information security responsibilities.

The Company has established an information security management mechanism to ensure the confidentiality, integrity, and availability of its information assets. The Information Security Deputy Manager is responsible for overseeing all information security policies and their implementation, with regular reporting to the Board of Directors on the current status of information security. To

ensure effective operation of security measures during emergencies, the Company has established a Liaison Team and a Security Protection Team. Through clear role definitions and internal collaboration, the Company continues to enhance its information security governance, ensuring operational stability and mitigating potential risks.

- Liaison Team: Responsible for cross-department communication and coordination to ensure the smooth implementation of information security policies across all units and to raise employees' cybersecurity awareness.
- Security Protection Team: Responsible for risk management, technical protection, and incident response to ensure the security and compliance of the Company's information systems.

Response Measures to Cyberattacks on Information Management Systems

Role	Responsible Unit (Personnel)	Responsibilities and Response Measures
Chief Commander	President	Receives reports from the On-site Commander regarding the cyberattack on the information management system, convenes emergency meetings when appropriate, and activates emergency response measures.
On-site Commander	IT Department Supervisor	Exercises full command over the emergency situation and issues necessary orders. Reports to the Chief Commander as needed.
		Initiates cyberattack response measures for the information management system.
Response Measures to Cyberattacks on Information Management Systems	Liaison Team	Notifies the Chief Commander in the event of a cyberattack.
		If the network is disrupted, contacts Chunghwa Telecom to estimate recovery time and reports to the Chief Commander.
		Notifies other departments.
	Security Protection Team	Inspects the firewall.
		Verifies the integrity of data.
		If data is damaged, restores it using the most recent backup files.

Information and Communication Security Policy

The Company has established an information security policy and corresponding management regulations. It continuously analyzes the latest relevant laws and regulations on information security to develop or amend related measures and regularly reviews operations to ensure alignment with security policies:

- (1) Strengthening personnel awareness;
- (2) Preventing data leakage;
- (3) Implementing daily system maintenance;
- (4) Ensuring service availability

Specific Management Measures and Resources Invested in Information and Communication Security Management

The Company places great importance on information security risk control and protection by implementing strict management measures:

- (1) Establishes comprehensive management systems to control risks and enhance preventive measures.
- (2) Conducts annual cybersecurity risk assessments and information security health checks.
- (3) Implements protective measures for confidential data, including access control, data encryption, encrypted transmission, and vendor cybersecurity responsibilities and confidentiality agreements.

- (4) Regularly inventories information and communication systems and maintains a registry of critical system information assets to ensure system availability.
- (5) Enhances information security education and training, encouraging employees to obtain cybersecurity certifications.
- (6) Conducts cybersecurity incident drills to strengthen employees' awareness and response capabilities, aiming for proactive prevention and containment of incidents.

Confidential Information Protection Policy

The Company defines confidential information as any commercial, technical, or production-related secrets that are created, developed, collected, or acquired by employees during their employment or due to job responsibilities. To safeguard such confidential information, the Company has established the "Computer Information Security Management and Intellectual Property Protection Regulations," the "Ethical Corporate Management Best Practice Principles," and the "Information Security Risk Management Regulations." These clearly outline the Company's management framework for confidential information, covering intellectual property rights, personal privacy, and physical access control to prevent the disclosure of company secrets. New employees are required to sign a confidentiality agreement upon onboarding to acknowledge their confidentiality obligations. For projects involving confidential information, participating employees and suppliers are also required to sign non-disclosure agreements (NDAs). Through comprehensive policies and management systems, the Company ensures the protection of both corporate and customer confidential information. Access permissions are controlled for shared folders, and all customer privacy or personal data is stored and managed in accordance with relevant regulations to prevent any data leakage, loss, or theft. Employees who improperly disclose or misuse the Company's intellectual property or trade secrets will be subject to legal penalties and held liable for any resulting damages to the Company.

2025 Information Security Performance at Cheng Fwa

Measure	2024 Goal	Result
Information server room maintenance and operation services	Maintain availability rate above 98% during business hours annually	OK
Key business system services	Maintain availability rate above 98% during business hours annually	OK
Business disruption incidents caused by cybersecurity events, anomalies, or other accidents	Downtime $\leq$ 1 incident per quarter, $\leq$ 4 hours per incident	OK
Critical business system disruption incidents caused by cybersecurity events, anomalies, or other accidents	Downtime $\leq$ 1 incident per quarter, $\leq$ 4 hours per incident	OK
Execution of information asset inventory	$\geq$ 1 time per year	OK
Execution of risk assessments and risk management	$\geq$ 1 time per year	OK
Execution of internal audit	$\geq$ 1 time per year	OK
Execution of business continuity drills	$\geq$ 1 time per year	OK
Execution of management review meetings	$\geq$ 1 time per year	OK
User account and access right reviews	$\geq$ 1 time per year	OK
Backup data recovery testing	$\geq$ 1 time per year	OK
Information security committee meeting in 2024	$\geq$ 1 time per year	OK
Establishment and optimization of management system documents	Continuous updates	OK
Information security training and awareness campaigns	Conducted irregularly; onboarding security training to begin in 2025	OK
Information security testing (e.g., social engineering drills)	Implemented in 2025	OK

3.8 Customer Service

Customer Relationship Management and Service Quality

Upholding a customer-centric philosophy, Cheng Fwa Industrial places great importance on customer feedback and regards it as a key element of corporate sustainable development. While actively conducting customer visits, the Company has also established a Stakeholder Section on its official website to provide channels for customer inquiries, complaints, and suggestions. We are committed to handling customer feedback in good faith and providing timely responses to fully safeguard customer rights, demonstrating our commitment to stakeholders. Internally, the Company follows the ISO 9001 quality management system and has established professional project teams to manage the entire process—ranging from product documentation, development files, order processing, technical support, complaint handling, to after-sales service. Quality assurance units are set up at both production sites across the Taiwan Strait to handle customer complaints and follow-ups. These teams closely collaborate with the sales department to continuously enhance professional service quality, earn customer trust, and create long-term value.

Customer Satisfaction and Continuous Improvement

To achieve long-term goals of sustainable operations and growth, we regard customer satisfaction as the key to market success. To enhance customer satisfaction, we actively leverage three core management systems: Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), and Supply Chain Management (SCM), fostering a win-win-win philosophy among customers, suppliers, and Cheng Fwa. This approach optimizes cost, quality, and service to drive performance and secure future orders through mutual benefit.

Cheng Fwa conducts customer satisfaction surveys twice a year (mid-year and year-end), covering six key areas: lead time, quality, price, cooperating rating, effectiveness of unusual process handling, and process of HSF (Hazardous Substance Free) requirements. The feedback is analyzed and reported to relevant departments and senior executives. For major feedback, the Company engages directly with customers via phone calls or in-person visits, proposing and implementing improvement measures to continuously enhance product and service quality, ensuring full customer satisfaction.

From 2023 to 2025, the average customer satisfaction scores—except for price—have all exceeded 85 points, reaching the "Satisfied" level. This is attributed to the team's effective collaboration, professional division of labor, and commitment to integrity and responsibility in meeting customer expectations. To further improve cooperation and the handling of product defects, we continue to implement and improve our quality management systems. Feedback from customers is communicated to relevant departments, which are required to propose improvement plans and responses within a set timeframe. The handling of complaints is tracked until the customer is satisfied, ensuring that customer feedback is treated seriously. Our "customer-first" philosophy strengthens customer loyalty. As of the end of 2025, Cheng Fwa has had no incidents of customer privacy infringement or data loss complaints, nor any violations of laws or regulations regarding product or service provision that resulted in major fines from government authorities.

Customer Satisfaction Survey Results

Year	2023 年	2024 年	2025 年
Average Score	91.2	90.7	88.2

Note: Customer satisfaction standard: 85 points and above = "Satisfied"

Customer Complaint Closure Rate

Year	2023 年	2024 年	2025 年
Closure rate (as of December 31)	100%	100%	100%

Customer Privacy and Data Protection

Cheng Fwa Industrial treats customer data as highly confidential. Confidentiality clauses are explicitly stated in contracts to ensure privacy and data security. In 2025, there were no incidents of privacy violations or personal data breaches that harmed customer rights.

Product Health, Safety, and Marketing Labeling

All of Cheng Fwa's product design and development processes comply with customer specifications and applicable international regulations (such as EU RoHS, REACH, etc.) to ensure the highest standards of product health and safety. Product labels and related information also meet legal requirements. In 2025, there were no violations regarding product or service labeling. Since the Company's business model is B2B, products are not promoted through marketing communications. All product labeling and information are compliant with regulations and often customized based on customer requirements. In 2025, the Company received no customer complaints or grievances related to product or service health and safety, nor any violations of marketing or communication-related regulations.

3.9 Sustainable Supply Chain

Material Topic Management Policy: Sustainable Supply Chain	
Significance to the Company	Maintaining a sustainable and well-managed supply chain in terms of ESG and product quality and delivery is essential for ensuring stable production. This allows the Company to fulfill its commitment to provide customers with stable supply, high-quality, non-toxic, and safe products, thereby enhancing customer confidence and satisfaction.
Policies and Commitments	1. Ensure and commit that the Company's products comply with international environmental regulations and customer requirements for green and halogen-free products, preventing environmental pollution and threats to human health. 2. Commit not to accept or use metals originating from conflict-affected regions. 3. Evaluate new suppliers' environmental, health, and safety (EHS) management systems and social responsibility practices, and assess any negative environmental or social records or reputations. 4. In the event of audit findings that do not meet the Company's EHS or social responsibility standards, the supplier will be requested to implement improvements; serious violations may result in suspension of cooperation until compliance is verified.
Short-Term Goals	1. 100% of key suppliers sign the Declaration of Non-Use of Conflict Minerals. 2. Full compliance of products with the Company's restricted and prohibited substance regulations. 3. Zero customer complaints related to violations of restricted/prohibited substances. 4. 12 supplier audits to be conducted in 2024 (including on-site and document-based audits). 5. Develop ESG environmental and social standard supplier self-assessment forms and incorporate them into relevant procurement procedure SOPs.
Mid- to Long-Term Goals	1. 100% of key raw materials do not originate from conflict-affected areas. 2. 100% of key raw materials comply with RoHS/REACH international restriction requirements. 3. More than 90% of new key raw material suppliers selected using ESG environmental and social standards. 4. More than 95% of existing key raw material suppliers evaluated using ESG environmental and social standards.
Resource Input and Actual Actions	1. Conduct annual supplier conflict minerals surveys. 2. Ensure full compliance of products with the Company's restricted and prohibited substance regulations. 3. Maintain zero customer complaints due to violations of restricted/prohibited substances. 4. Periodically review the latest version of the RBA (Responsible Business Alliance) Code of Conduct. 5. Require all new suppliers to sign the Supplier Social Responsibility Commitment.
Performance Results in 2025	1. 100% of key suppliers signed the Declaration of Non-Use of Conflict Minerals. 2. 100% of key raw materials passed RoHS/REACH international restriction testing. 3. Zero customer complaints due to violations of restricted/prohibited substances. 4. Completed 100% of key supplier audits (a total of 12 suppliers) as per the annual audit plan. For non-compliance issues, corrective and preventive action reports were issued, and continuous improvement and regular follow-up were required.
Responsible Unit	Procurement Department Email: jackytseng@chengfwa.com.tw

● **Supplier Management Strategy**

Cheng Fwa upholds a vision of growing together with its suppliers and implements comprehensive supply chain management to secure reasonable pricing, delivery schedules, and quality of supply, thereby enhancing product competitiveness and delivering fast and satisfactory service to customers. Based on the principles of fairness and transparency, all procurement personnel conduct competitive bidding and price comparison among multiple suppliers and select vendors based on objective and impartial standards. The Company has established various procedures such as the “Subcontractor Management Procedure” and the “Procurement Management Procedure,” which provide clear guidelines for interactions between suppliers and the Company. Order documents also specify requirements such as delivery confirmation and quality standards to protect the reputation and interests of both parties. For key raw materials—such as steel and aluminum—the Company ensures at least two suppliers or agents are available. If the parts are rated medium- to high-risk, mitigation measures include extending system lead time and seeking alternative materials or lower-risk suppliers. As of 2025, there have been no whistleblowing incidents related to the supply chain.

● **Green Supply Chain**

Cheng Fwa includes environmental and safety certifications such as ISO 14001 as key criteria in supplier selection and incorporates “continuous efforts to reduce pollutant emissions and conserve energy and resources” into audit items. The Company is committed to ensuring all activities comply with government laws and regulations. In green product design, post-life-cycle recycling and treatment are considered. To prevent environmental pollution, suppliers are required to provide products that comply with Cheng Fwa’s “Environmental Policy Guarantee Statement” and “REACH Compliance Certificate,” and must also meet the latest EU RoHS and REACH regulations to eliminate hazards to the environment and human health. In the green supply chain, Cheng Fwa upholds integrity and mutual benefit with suppliers, and actively assists in the recycling and reuse of peripheral materials such as packaging to reduce waste. The Company is committed to working closely with suppliers on green management throughout the supply chain to continuously improve and contribute to the sustainability of the planet.

● **Labor Safety and Human Rights in the Supply Chain**

In addition to green supply chain requirements, Cheng Fwa also incorporates labor health and safety and human rights concerns into the supplier qualification evaluation process, adhering to a people-oriented approach. The Company has established a policy and management approach for the non-use of conflict minerals, requiring that suppliers do not use conflict minerals sourced from the Democratic Republic of Congo and neighboring countries (conflict zones) during the production and manufacturing process. Suppliers must trace the origin of gold (Au), tantalum (Ta), tin (Sn), tungsten (W), and cobalt (Co) contained in products, complete the related survey forms, and conduct due diligence in accordance with OECD guidelines to avoid directly or indirectly funding armed conflict groups.

● **Local Procurement Overview**

Local Procurement

Item \ Year	2022	2023	2024	2025 年
Number of Local Suppliers	94%	95%	95%	94%
Proportion of Local Procurement Amount	91%	94%	90%	96%

- **Supplier Audits in 2025**

Cheng Fwa conducts audits and risk assessments for suppliers in accordance with the “Subcontractor Management Procedure.” Audit items include operations, environmental protection, production control, employee safety/human rights protection, and fire safety compliance. Suppliers with poor evaluation results are provided with guidance and may be given fewer orders. High-risk suppliers are subject to irregular monitoring and management. If they fail to make improvements, new suppliers will be introduced, and the non-compliant ones will be phased out.

Screening of New Suppliers Based on Environmental and Social Standards	
Number of new suppliers during the year	1
Percentage of new suppliers screened using environmental and social standards	100%

Assessment of Existing Suppliers Based on Environmental and Social Standards	2025
Number of qualified existing suppliers (long-term suppliers with multiple transactions per year)	11
Number of suppliers assessed for environmental/social impact	11
Number of suppliers identified with significant actual or potential negative environmental/social impact	0
Percentage of suppliers with identified significant actual or potential negative impact that have improved following evaluation	N/A
Percentage of suppliers with identified significant actual or potential negative impact that were terminated after evaluation, and reasons for termination	0%

IV. Environmental Sustainability

Cheng Fwa upholds a strong sense of environmental responsibility by strictly complying with relevant regulatory requirements and ensuring that raw material procurement aligns with customer specifications. Suppliers are required to comply with hazardous substance management standards such as RoHS and REACH. The Company plans to complete ISO 14064-1 greenhouse gas inventory certification by 2027 to identify emission sources and formulate concrete carbon reduction strategies. Through routine awareness programs and internal management, energy, water resource, and waste reduction measures are actively implemented to enhance environmental performance. Additionally, the Company has obtained international certifications including ISO 9001, ISO 14001, IATF 16949, and QC 080000, and continues to improve operational quality and sustainable development capabilities through high-standard management systems.

4.1 Raw Material Management

Material Topic Management Policy: Raw Material Management	
Significance to the Company	Raw material management is crucial to the sustainable development of a company. It not only affects the stability of production operations but is also a key strategy for cost optimization, sustainable resource utilization, and reduction of environmental impact. Through effective raw material management, waste can be minimized, supply chain efficiency improved, and market competitiveness enhanced.
Policies and Commitments	The Company is committed to incorporating sustainable concepts throughout the raw material management process by formulating and adhering to the “Responsible Raw Material Procurement Policy” to ensure the legality, compliance, and transparency of material sources. Priority is given to environmentally friendly and recycled materials, and the Company actively collaborates with suppliers to promote the establishment of a green supply chain. The Company also commits to reviewing and updating relevant policies annually to ensure alignment with international standards and stakeholder expectations.
Short-Term Goals	1. Optimize raw material procurement processes and enhance supply chain transparency, ensuring that 100% of qualified suppliers comply with conflict-free sourcing and non-use of hazardous substances. 2. Establish records of carton usage to evaluate usage volume and recycling feasibility as foundational data for future recycling policies.
Mid- to Long-Term Goals	1. Achieve 100% raw material traceability by 2030 and ensure that all major raw materials meet sustainability standards. 2. Collaborate with suppliers to build a carbon-neutral supply chain by reducing carbon emissions related to raw material procurement. Specific reduction targets will be determined during future carbon inventories.
Resource Input and Actions	1. The Company ensures that all products comply with RoHS and REACH based on customer requirements and requests suppliers using relevant metals to complete conflict minerals and hazardous substances questionnaires. 2. Establish weight and procurement volume data for critical raw materials. 3. Collect component composition certificates for carton base paper. 4. Identify two main packaging suppliers and three major raw material categories and compile annual weight data. 5. Conduct audits of major suppliers.
Performance Results in 2024	1. All products met RoHS and REACH requirements according to customer specifications. A total of 138 questionnaires on conflict minerals and hazardous substances were completed and returned by suppliers using related metal categories. 2. Audits were completed for 12 key suppliers, all of whom met compliance standards (100%).
Contact Information	Procurement Department Email: jackytseng@chengfwa.com.tw

Cheng Fwa uses renewable and non-renewable materials for the production and packaging of its main products. The renewable material used is cardboard boxes, while the non-renewable materials include steel plates, steel coils, aluminum plates, and stainless steel. As the Company is engaged in metal processing, due to the nature of the industry, it is not feasible to use renewable materials or materials from electronic recycling in the products. Only the base paper of the cardboard boxes used for packaging contains approximately 80–90% recycled paper.

Total Weight of Materials Used Annually for the Production and Packaging of Main Products and Services

Year	Renewable Materials (kg)	Non-Renewable Materials (kg)			
	Cardboard boxes	Steel plates / Steel coils	Aluminum plates	Stainless steel	Total Weight
2022	20,480.066	1,449,029	38,848	31,166	1,519,043
2023	10,916.909	667,440	37,613	11,062	716,115
2024	21,549.140	1,336,927	68,104	29,179	1,434,210
2025	15,732.105	1,060,857.65	62,833	63,234.4	1,139,422.755

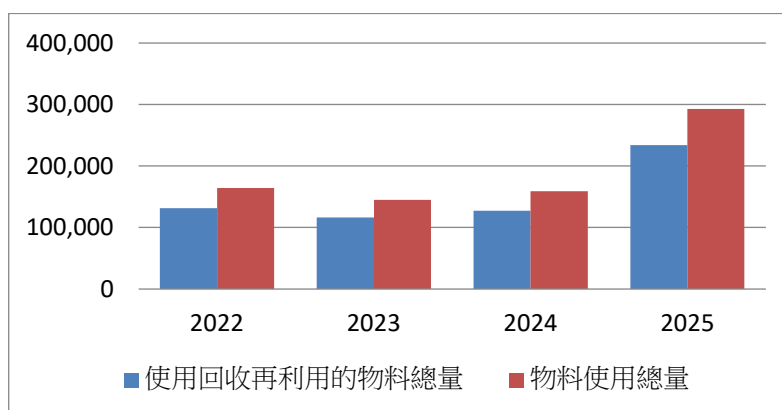
Calculation Method for Renewable Materials:
Cardboard boxes: The total number of cardboard boxes required for annual shipments is compiled and then converted into weight units.

Calculation Method for Non-Renewable Materials:
Steel plates / Steel coils: The top three categories of steel plates/coils used in a given year are selected. Since the Company places orders in kilograms, the total order weights over the three-year period are summed up.
Aluminum plates and stainless steel: The Company places orders in kilograms; therefore, the total weight is calculated by summing the order quantities over three years.

Recycled Cardboard Boxes

Year	Total quantity of recycled materials used (unit: pcs)	Total material usage (unit: pcs)	Percentage of materials used that are recycled
2022	131,593	164,491	80%
2023	116,182	145,228	80%
2024	127,122	158,903	80%
2025	234,160	292,700	80%

Note: The total quantity of recycled materials used is estimated based on the recycled content ratio (approximately 80–90%) as certified by the paper supplier.



4.2 Energy Management

The primary source of energy used by Cheng Fwa is purchased electricity. Additional energy consumption includes liquefied petroleum gas (LPG) used in the painting process, gasoline for company vehicles, and diesel for trucks. The Company does not currently use or generate renewable energy.

Cheng Fwa's Energy Management Measures						
Cheng Fwa continuously promotes energy-saving measures and improves energy efficiency of its equipment, including:						
1.	Turning off lights when not in use, replacing with LED bulbs, installing energy-saving lighting, and scheduling overtime production on the same day.					
2.	Regular inspections of production equipment for oil, air, or water leaks.					
3.	Installing automatic doors and door curtains in workplaces to prevent air conditioning leakage.					
4.	Turning off lights in non-operational areas to reduce electricity use.					
5.	Using inverter air conditioners and circulating fans.					
6.	Unplugging equipment when not in use.					
7.	Using energy-efficient office machines with standby features, replacing outdated equipment, and implementing zone-based accountability systems.					
8.	Reducing the number of engineering steps through mold design discussions with clients to reduce power consumption for printing mold drawings.					
9.	Contacting clients by phone whenever possible to reduce fuel consumption from company vehicle use.					

Energy Consumption

Item	Unit	2022	2023	2024	2025 年	Remarks
Purchased Electricity	kWh	3,143,400	2,347,380	2,840,060	2,992,820	
	GJ	11,316.240	8,450.5680	10,224.216	10,774.152	
Diesel	Liters	22,177	17,642	20,947	27,94.16	
	GJ	835.6616	664.7582	789.3262	982.54	
Liquefied Petroleum Gas	Liters	111,639.74	88,122.10	88,127.55	43,398.03	
	GJ	3,101.2871	2,447.9805	2,448.1320	1,118.52	
Gasoline for Company Vehicles	Liters	35,839.17	36,106.46	33,146	29,400	
	GJ	1,260.43	1,269.83	1,165.72	925.70	
Total Energy Consumption	GJ	16,513.620	12,833.139	14,627.3952	13140.912	

Note:

1 kWh = 3.6 MJ;

1 GJ = 10⁹ joules;

The calorific value of diesel is 8,400 Kcal/L;

1 Kcal = 4.186 kJ;

1 kg of LPG = 1.818 liters

Energy Intensity

Year	Revenue (NT\$ million)	Total Energy Consumption (GJ)	Energy Intensity (GJ/NT\$ million)
2022	940.462	16,513.6208	17.55905
2023	654.341	12,833.1391	19.61231
2024	805.587	14,627.3952	18.15744
2025	956.811	13140.912	13.73407

Note: Energy Intensity = Total Energy Consumption (GJ) / Revenue (NT\$ million); Revenue is based on the Parent Company Only Financial Statements

Reducing Energy Demand for Products and Services

Currently, all Cheng Fwa products are custom-made based on client requirements. During the product design phase, production technologies are integrated to enhance overall efficiency and effectiveness. Samples produced at each stage of the process are manufactured using the most suitable method based on material properties and cost considerations, aiming to reduce excessive processing costs and material waste. Process adjustments can also be made as needed to maximize economic benefits. In the future, if proprietary product development projects are launched, the design approach will prioritize high efficiency and low energy consumption. The Company will also actively incorporate recyclable materials into material selection strategies from the early stages of development.

4.3 Greenhouse Gas Emissions Management

Greenhouse gas (GHG) management is not only a core corporate action in response to climate change challenges, but also a crucial path toward enhancing competitiveness and creating long-term value.

Material Topic Management Policy: Greenhouse Gas Emissions	
Significance to the Company	By actively reducing GHG emissions, the Company can promote low-carbon technology innovation and green economic development, enabling market expansion and operating cost reduction. Reducing carbon risks mitigates supply chain disruptions, strengthens collaboration with upstream and downstream partners, stabilizes the operational foundation, and enhances industry leadership. The Company aims to become a climate action leader in the industry, thereby improving brand image and stakeholder trust.
Policies and Commitments	Promote GHG emission transparency across the Company, conducting inventories in accordance with international certification standards (e.g., ISO 14064-1). Incorporate GHG management into the corporate governance framework and establish a dedicated GHG inventory team to regularly report progress. Commit to a short-term target of reducing total emissions by 20% by 2030. Aim for a mid- to long-term science-based target (SBTi), achieving net-zero emissions by 2050.
Short-Term Goals	1. Complete a full inventory of Scope 1 and 2 emissions for 2025 by 2026, and include Scope 3 emissions in the monitoring program. 2. Improve energy efficiency by 5% at key production facilities and implement an intelligent energy management system.
Mid- to Long-Term Goals	Mid-Term Goals (to be achieved within 3–5 years): 1. Launch a supply chain carbon management program, ensuring at least 20% of core suppliers complete GHG inventories and set emission reduction targets. 2. Increase the proportion of green energy usage to 20% and activate in-house solar power generation facilities. Long-Term Goals (to be achieved beyond 5 years): 1. Fully achieve net-zero emissions, covering Scope 1, Scope 2, and major Scope 3 emission sources. 2. Continuously invest in green technologies and low-carbon innovations, increasing the share of low-carbon product sales.
Resource Input and Actions	● Annual investment of approximately NT\$300,000 to implement the GHG inventory project. ● A GHG inventory team will be established in 2025, consisting of professionals in environmental science, engineering, and finance. ● Conduct independent inventory of greenhouse gas data from 2022 to 2026. The verification of greenhouse gases according to ISO 14064-1 is expected to be implemented in 2027.
Performance Results in 2024	● Scope 1 and 2 emissions for 2022: 337.9168 and 1,555.9830 metric tons CO₂e/year ● Scope 1 and 2 emissions for 2023: 285.0696 and 1,159.6057 metric tons CO₂e/year ● Scope 1 and 2 emissions for 2024: 287.1617 and 1,346.1884 metric tons CO₂e/year ● Scope 1 and 2 emissions for 2025: 308.36 and 1493.1792 metric tons CO₂e/year
Performance Evaluation Mechanism	Establish regular KPI monitoring, including emission reduction indicators. Conduct internal audits every six months and engage third-party institutions annually to perform independent verifications, ensuring the accuracy and reliability of emission data.
Contact Information	Administration Department Email: terry@chengfwa.com.tw

To better understand the Company's greenhouse gas (GHG) emissions, the emission sources and data for 2022 and 2025 were compiled through self-assessment. Starting in 2027, the Company plans to implement an ISO 14064-1 verification and guidance program to gradually inventory the GHG emissions of the headquarters and factories for 2026. This aims to clarify the Company's emissions profile and facilitate early mitigation actions. The inventory report is expected to be completed in 2027. Going forward, the Company will continue to assess Scope 1 and Scope 2 emission risks and carbon reduction measures annually based on the ISO 14064-1 inventory results. Scope 3 data will be inventoried and disclosed in accordance with the government's timeline. Cheng Fwa does not emit ozone-depleting substances (ODS), nitrogen oxides (NOx), sulfur oxides (SOx), or other major air pollutants during its production processes.

Scope 1 – Direct Greenhouse Gas Emissions

- These are emissions from sources owned or controlled by the Company. Stationary combustion sources include liquefied petroleum gas used in factory equipment and diesel fuel for generators. Mobile combustion sources include gasoline and diesel used by company vehicles and motorcycles. Fugitive emissions come from refrigerant leaks from chillers, air conditioners, HVAC systems, water dispensers, vehicles, refrigerators, temperature and humidity chambers, dehumidifiers, and dryers.

Scope 2 – Indirect Greenhouse Gas Emissions from Energy

- This includes indirect emissions from purchased electricity used in equipment, offices, factories, and public areas.

Scope 3 – Other Indirect Greenhouse Gas Emissions

- These are emissions from sources not owned or directly controlled by the Company. As such sources are difficult to manage, only a partial identification and listing has been conducted, including:
 - Upstream transportation and distribution of raw materials
 - Business travel and employee transportation
 - Procurement of energy-related products
 - Waste treatment and transportation

Emissions Statistics – Analysis by Source Type

Source Type		Scope 1	Scope 2	Scope 3	Total
		Direct Emissions	Indirect Emissions from Energy	Indirect transportation	
2023	Emission Amount (metric tons CO ₂ e/year)	285.0696	1,159.6057	No data	1444.6753
	Proportion by Gas Type (%)	20%	80%		100%
2024	Emission Amount (metric tons CO ₂ e/year)	287.1617	1,346.1884	No data	1633.3501
	Proportion by Gas Type (%)	18%	82%		100%
2025	Emission Amount (metric tons CO ₂ e/year)	308.36	1493.1792	3719.791	5520.8712
	Proportion by Gas Type (%)	5.6%	27.5%	67.38%	100%

Note 1: Based on the emission factor for electricity announced by the Bureau of Energy, Ministry of Economic Affairs— 0.494 kg CO₂e/kWh for 2023, and 0.474 kg CO₂e/kWh for 2024; 0.466 kg CO₂e/kWh for 2025

Note 2: Global Warming Potential (GWP) values and emission factors are sourced from the Climate Change Administration's Greenhouse Gas Emissions Information Platform.

Historical Greenhouse Gas Emission Intensity

Year	Category	GHG Emissions (metric tons CO ₂ e)	Revenue (NT\$ million)	GHG Emission Intensity (metric tons CO ₂ e / NT\$ million)
2022	Scope 1	337.9168	940.462	0.3593
	Scope 2	1,555.9830		1.6545
	Total Emissions	1,893.8998		2.0138
2023	Scope 1	285.0696	654.341	0.4357
	Scope 2	1,159.6057		1.7722
	Total Emissions	1,444.6753		2.2078
2024	Scope 1	287.1617	805.587	0.3565
	Scope 2	1,346.1884		1.6711
	Total Emissions	1,633.3501		2.0275
2025	Scope 1	308.36	956.811	0.3228
	Scope 2	1493.1792		1.5606
	Scope 3	3719.791		3.8877
	Total Emissions	5520.8712		5.7701

4.4 Water Resource Management

The headquarters and factory of Cheng Fwa are located in New Taipei City, Taiwan. According to the scenario simulation analysis conducted using the World Resources Institute (WRI)'s Aqueduct tool, the water stress level in the area is between 10%–20%, which is not considered a

high water stress region. Furthermore, the location is not near any ecological conservation areas, and thus, no significant environmental impact on water resources or water source ecosystems is expected.

Both the Company's headquarters and factory source their water from local tap water suppliers (i.e., third-party freshwater sources with total dissolved solids $\leq 1,000$ mg/L). No seawater, groundwater, or other sources are used. The Company uses water primarily for cleaning processes, during which water loss is minimal and negligible. Wastewater generated from the cleaning process undergoes neutralization in a slow mixing tank with acid-alkali adjustment, followed by rapid mixing with coagulants in a fast mixing tank to facilitate the formation of suspended particles and sludge. The separated sludge is settled, and the treated water is discharged into the drainage system after ensuring compliance with regulatory standards. The Company sends wastewater to a laboratory for quality testing every six months and is also subject to unannounced inspections by the Department of Environmental Protection. Cheng Fwa is committed to effective water resource management by conserving water, improving water use efficiency, assessing water resource risks, and implementing response strategies to manage drought risks. In addition, the Company continues to promote employee education and awareness on water conservation to minimize environmental impact.

In the event of drought or special circumstances, Cheng Fwa will implement multiple contingency measures to mitigate the impact on operations. These include scheduling water delivery trucks, outsourcing orders to partner manufacturers, negotiating with customers to adjust delivery schedules, and reviewing and optimizing manufacturing processes to ensure production stability and service quality.



Year	Water Source Type	Withdrawal (Million Liters)	Discharge (Million Liters)	Consumption (Million Liters)
2022	Third-party water (tap/freshwater)	61.1700	61.1700	0
2023	Third-party water (tap/freshwater)	63.8929	63.8929	0
2024	Third-party water (tap/freshwater)	61.0483	61.0483	0
2025	Third-party water (tap/freshwater)	68.231	68.231	0

Note 1: Water usage at the headquarters is estimated using the formula provided by the Water Resources Agency, Ministry of Economic Affairs: annual per capita daily water usage $\times$ number of employees as of December 31 $\times$ number of working days in the year.

Note 2: Factory water usage is calculated based on water utility bills from the local tap water company.

Effluent Discharge Standards

1. Currently, Cheng Fwa's effluent consists of general domestic wastewater and water used in cleaning production processes.

2. The Company adheres to effluent standards applicable to basic metal industries, metal surface treatment, electroplating, and printed circuit board manufacturing for the relevant water quality indicators and limits.

	pH (no unit)	Chemical Oxygen Demand (mg/L)	Suspended Solids (mg/L)	Soluble Iron (mg/L)	Oil and Grease (mg/L)	Ammonia Nitrogen (mg/L)	Nitrate Nitrogen (mg/L)	Fluoride (mg/L)
Discharge Standards	6-9	≤100 mg/L	≤30 mg/L	≤10 mg/L	≤10 mg/L	≤120 mg/L	≤50 mg/L	≤15 mg/L
1H 2022	8.2/28	26.8	-	0.086	<0.5	0.20	3.33	1.93
2H 2022	7.8/25.4	11.6	2.7	0.066	<0.5	ND	1.54	0.77
1H 2023	9.1/28.2	19.5	25.3	0.044	4.3	0.05	0.84	0.38
2H 2023	9.8/26.1	11.8	31.0	0.034	<0.5	0.06	0.77	0.95
1H 2024	7.9/16.0	ND	13.6	0.018	<0.4	ND	0.37	0.10
2H 2024	7.5/25.5	ND	11.0	ND	<0.4	ND	0.44	0.07
1H 2025	9.8/28.0	10.9	4.0	0.028	<0.4	0.09	0.44	0.23
2H 2025	8.1/24.6	22.4	12.8	0.05	1.2	0.09	0.34	0.32

Water Resource Management Measures by Cheng Fwa

1. Installed a rainwater harvesting system for plant irrigation and facility cleaning.
2. Conducts periodic replacement and upgrades of aging pipelines.
3. Regularly replaces water dispenser filters and tests water quality to ensure drinking safety.
4. Installed water-saving toilets.
5. Periodically disseminates information on water and electricity conservation and the importance of resource preservation, educating all employees on correct usage practices.

4.5 Waste Management

Cheng Fwa operates in the manufacturing industry for consumer electronics, industrial computers, and server storage equipment and devices. During overall business operations and manufacturing processes, the sources of waste can be classified into two categories: general industrial waste and domestic waste. General industrial waste includes items such as inorganic sludge and waste paint, while domestic waste refers to household waste generated by employees at the headquarters and factory. All waste generated within the factory is first collected, sorted, and weighed before being handed over to third-party certified waste treatment, disposal, or recycling service providers for proper handling and reuse.

Before collaborating with any third-party waste disposal or recycling vendor, Cheng Fwa ensures that the vendor holds a valid license issued by the local government. The license must cover the appropriate waste categories and remain valid. After reviewing and verifying the license, the Company proceeds to sign a contractual agreement for waste disposal and submits the contract to the Ministry of Environment for recordkeeping. The Company uses triplicate manifest documents to ensure that the vehicle license plate used for transport matches that listed on the manifest and that the waste disposal route matches the information stated in the contract.

Waste Storage

General industrial waste is stored at the factory until a certain volume is accumulated before being transported by third-party vendors for treatment. For example, residual paint left after spray coating processes falls into collection pools and requires chemical agents to coagulate into solid masses. These are then dewatered and stored in bulk bags (e.g., intermediate bulk containers) until sufficient volume is reached for removal. In addition, sludge generated from wastewater treatment is compressed into sludge cakes using a dewatering machine, then placed in bulk bags for temporary storage until sufficient quantity is available for disposal.

Cheng Fwa Waste Management Measures	
1.	Printing paper is reused by printing on both sides; one-sided used paper is repurposed for note-taking. Employees are encouraged to reduce waste and increase reuse.
2.	In designing mold layouts based on customer-provided drawings, the Company aims to minimize edge trimming and scrap paper.
3.	Employees are encouraged to bring their own water cups. Ceramic cups are used exclusively for guest visits and meeting rooms to reduce domestic waste.
4.	The Company promotes digitalization of forms and procedures.
5.	Disposable utensils are not provided in the staff cafeteria; employees must bring their own.
6.	Periodically promote accurate waste classification and recycling practices.
7.	In-house packaging materials and pallets are reused and circulated within the factory.
8.	Waste solvents are stored in designated areas under specialist supervision, with fire-linked alarm systems installed to ensure safety of the storage and handling environment.

Cheng Fwa Annual Waste Total

Metric Tons	Item	2022 (tons)	2023 (tons)	2024 (tons)	2025 (tons)	Treatment Method	On-site/ Off-site
General Industrial Waste	Inorganic sludge	0.43	0.50	0.08	4.1	Incineration	Off-site
	Waste paint and paint sludge	-	9.75	6.88	8.06	Incineration	Off-site
	Waste activated carbon	-	-	3.20		Reuse	Off-site
	Waste lubricating oil	-	0.84	-	0.6	Reuse	Off-site
	Waste fibers or mixed fabrics (cotton, etc.)	-	-	0.11		Incineration	Off-site
	Waste wood panels	20.19	10.68	3.01	2.1	Reuse	Off-site
	Household garbage	39.60	39.60	31.55	40.32	Incineration	Off-site
Total		60.22	61.37	44.83	55.18		-
	The estimated amount of municipal solid waste for 2022 and 2023 is based on a contractual monthly collection limit of 3.3 metric tons, while the figures for 2024 and 2025 are based on actual weighing.						

V. Social Co-prosperity

5.1 Happy Workplace

5.1.1 Human Rights Protection

In accordance with the Responsible Business Alliance (RBA) Code of Conduct, Cheng Fwa has established and published its Human Rights Policy upon approval by the President. The Company recognizes internationally accepted fundamental human rights, including the prohibition of child labor, elimination of all forms of forced labor, employment and hiring discrimination, prevention of any behavior violating human rights, gender equality, and fair treatment of all employees. The Company also requires its suppliers and contractors to comply with the Human Rights Policy issued by Cheng Fwa. The Company ensures that employees are not treated differently based on gender, age, race, religion, or political beliefs. In addition, Cheng Fwa complies with labor and human rights laws in all applicable countries and actively promotes key information related to human rights and labor rights to all employees. In 2025, there were no recorded human rights violations at the Company.

If any individual within the Company is found to have violated the human rights of others, Cheng Fwa provides a reporting channel for employees. Reports are handled by designated personnel who conduct due diligence investigations. The Company ensures the confidentiality of the whistleblower's personal information and guarantees protection from any retaliation. In 2025, no human rights-related complaints were received.

Human Rights Training in 2025

Training Target	Training Topic	Number of Participants	Total Training Hours
New Employees	RBA Training	40	40
Current Employees	RBA Training	337	337

5.1.2 Employee Statistics

All employees at Cheng Fwa are permanent hires, and the company is committed to promoting employee diversity and gender equality in the workplace. Over the past four years, the overall male-to-female ratio of its employees has remained relatively stable. For example, in 2025, the company had a total of 337 employees, with men comprising approximately 58.16% and women 41.84%. This is largely consistent with the trend of the past three years (2022-2024), where men accounted for approximately 56%-58% and women approximately 42%-44%. The company demonstrates a proactive approach to talent recruitment and retention, with employees primarily aged 30-50, accounting for 57.57% of the workforce. This reflects the youth and dynamism of the company's structure. The overall educational level of its employees has also remained stable. The proportion of employees with college or graduate degrees has remained above 40% for four consecutive years: 41.67% in 2022, 42.90% in 2023, 44.06% in 2024, and 43.62% in 2025, demonstrating the company's continued ability to attract and retain highly qualified talent. Cheng Fwa also employs foreign staff, accounting for approximately 22% of the company's workforce, showcasing the company's diversity. In the past three years, the company has employed six non-staff personnel: two female cleaners, one male catering staff member, and three security guards.

Employee Employment Contract and Type Statistics

Statistics / Year		2023 年		2024 年		2025 年	
Total Number of Employees		331		320		337	
Employment Contract		Permanent Employees	Temporary Employees and Employees Without Guaranteed Working Hours	Permanent Employees	Temporary Employees and Employees Without Guaranteed Working Hours	Permanent Employees	Temporary Employees and Employees Without Guaranteed Working Hours
Gender	Male	141	51	142	44	147	49
	Female	119	20	112	22	113	28
Employment Type		Full-time	Part-time	Full-time	Part-time	Full-time	Part-time
Gender	Male	192	0	186	0	196	0
	Female	139	0	134	0	141	0

Non-Employee Worker Statistics

Statistics / Year		2023 年			2024 年			2025 年		
Total Number of Workers		6			6			6		
Contract Type		Dispatched			Dispatched			Dispatched		
Gender	Male	4			4			4		
	Female	2			2			2		
Region	Taiwan	6			6			6		
	Overseas	0			0			0		
Job Nature		Cleaning	Catering Services	Security	Cleaning	Catering Services	Security	Cleaning	Catering Services	Security
Gender	Male	0	2	2	0	2	2	0	0	3
	Female	2	0	0	2	0	0	2	1	0
Region	Taiwan	2	2	2	2	2	2	2	1	3
	Overseas	0	0	0	0	0	0	0	0	0

Employee Diversity Statistics

Employee Diversity Statistics / Year				2023 年		2024 年		2025 年	
				Number of Employees	Percentage	Number of Employees	Percentage	Number of Employees	Percentage
Employees	Direct	Gender	Male	106	32.02%	98	30.63%	106	31.45%
			Female	60	18.13%	58	18.13%	62	18.40%
		Age	Under 30	61	18.43%	51	15.94%	47	13.95%
			30–50	95	28.70%	95	29.69%	110	32.64%
			Above 50	10	3.02%	10	3.13%	11	3.26%
		Education	Master's or above	0	0.00%	0	0.00%	0	0.00%
			College/University	21	6.34%	20	6.25%	22	6.53%
			High school or below	145	43.81%	136	42.50%	146	43.32%
	Indirect	Gender	Male	86	25.98%	88	27.50%	90	26.71%
			Female	79	23.87%	76	23.75%	79	23.44%
		Age	Under 30	13	3.93%	11	3.44%	11	3.26%
			30–50	104	31.42%	101	31.56%	84	24.93%
			Above 50	48	14.50%	52	16.25%	74	21.96%
		Education	Master's or above	2	0.60%	3	0.94%	3	0.89%
			College/University	119	35.95%	118	36.88%	122	36.20%
			High school or below	44	13.29%	43	13.44%	44	13.06%

Note 1: The gender, age, and education of direct and indirect employees are calculated separately. The sum of the percentages within each specific category of direct and indirect employees should total 100%. For example, the percentage of direct female employees = (number of direct female employees at year-end / total number of employees at year-end) × 100%.

Note 2: Percentage of direct employees under 30 years old = (total number of direct employees under 30 years old at year-end / total number of employees at year-end) × 100%.

Note 3: Percentage of direct employees with a master's degree = (total number of direct employees with a master's degree in the year / total number of employees at year-end) × 100%.

Employee Turnover Statistics

Annual Statistics of New Hires and Departures			2023 年		2024 年		2025 年	
			Number of Employees	Percentage	Number of Employees	Percentage	Number of Employees	Percentage
New Hires	Gender	Male	10	3.02%	12	3.75%	20	5.93%
		Female	7	2.11%	16	5.00%	20	5.93%
	Age	Under 30	1	0.30%	2	0.63%	22	6.53%
		30~50	13	3.93%	15	4.69%	15	4.45%
		Above 50	5	1.51%	15	4.69%	3	0.89%
	Education	Master’s or above	0	0.00%	1	0.31%	0	0.00%
		College/University	6	1.81%	17	5.31%	19	5.64%
		High school or below	12	3.63%	12	3.75%	21	6.23%
Departures (including retirees)	Gender	Male	28	7.78%	21	6.34%	14	4.15%
		Female	23	6.39%	29	8.76%	21	6.23%
	Age	Under 30	6	1.67%	5	1.51%	9	2.67%
		30~50	28	7.78%	28	8.46%	21	6.23%
		Above 50	29	8.06%	27	8.16%	5	1.48%
	Education	Master’s or above	0	0.00%	0	0.00%	1	0.30%
		College/University	12	3.33%	18	5.44%	18	5.34%
		High school or below	45	12.50%	37	11.18%	16	4.75%
Note 1: Based on the total number of employees at year-end.								
Note 2: New hire rate = (total number of new hires in the category during the year / total number of employees at year-end) × 100%. For example, female new hire rate = (total number of female new hires during the year / total number of employees at year-end) × 100%.								
Note 3: Turnover rate = (total number of departures in the specific category during the year / total number of employees at year-end) × 100%. For example, turnover rate for employees under 30 years old = (number of employees under 30 years old who left during the year / total number of employees at year-end) × 100%.								

Parental Leave Statistics

Item	Gender	2023 年	2024 年	2025 年
Number of Employees Eligible for Parental Leave	Male	4	2	2
	Female	7	7	6
Number of Employees Applying for Parental Leave	Male	0	0	0
	Female	2	5	5
Number of Employees Expected to Return After Parental Leave (A)	Male	0	0	0
	Female	0	1	3
Number of Employees Who Actually Returned After Parental Leave (B)	Male	0	0	0
	Female	0	1	3
Return-to-Work Rate (B/A)	Male	0%	0%	0%
	Female	0%	100%	100%
Number of Employees Remaining Employed 12 Months After Returning from Parental Leave (C)	Male	0	0	0
	Female	1	0	1
Retention Rate (C for the Year / B from the Previous Year)	Male	0%	0%	0%
	Female	100%	0%	100%

Note: Return-to-Work Rate = (total number of employees who actually returned to work during the year / total number of employees expected to return during the year) × 100%.

Retention Rate = (total number of employees still employed 12 months after returning from parental leave / total number of employees who actually returned in the previous year) × 100%.

Total Number of Employees Expected to Return = total number of employees whose parental leave was scheduled to end in the year and were expected to return to work.

Hiring of Local Residents for Senior Executive Positions

Cheng Fwa has a total of three senior executives at the managerial level or above. To actively attract outstanding talent for local employment, over the past three years, the Company has consistently hired local Taiwanese professionals to serve as senior executives, maintaining a proportion of 100%.

5.2 Talent Sustainability

Cheng Fwa fully recognizes that employees are the most important asset to the Company's operations. Having competent employees with the right capabilities and performance can promote the Company's continuous and steady development and progress. To this end, the Company adheres to the social responsibility policy of "humanitarian care," the people-oriented management philosophy, and the concept of "home" to establish a comprehensive management system that cares for employees. The Company strictly complies with labor-related laws and regulations, follows the provisions of the RBA (Responsible Business Alliance) Code of Conduct, legally safeguards and protects employee rights and interests, provides a healthy and safe working environment, builds diverse and open labor-management communication channels, offers fair compensation and promotion opportunities, establishes a complete training and development system, maintains a sound benefits system, and implements an open and transparent profit-sharing mechanism. These efforts enable employees to contribute their abilities and performance with peace of mind, grow and develop together with the Company, foster good labor-management relations, and create a warm and harmonious workplace atmosphere, laying a solid foundation for building a sustainably operated enterprise.

5.2.1 Compensation and Benefits

Material Topic Management Policy: Compensation and Benefits	
Significance and Impact on the Company	The Company has formulated compensation-related management measures, integrating the employee performance appraisal system with bonus distribution standards. Bonuses are granted annually based on operational performance and individual work performance, and Company profits are shared with employees. In addition to providing all government-mandated social, medical insurance, and retirement benefits, we have established diversified benefit measures to gain employee recognition and encourage dedication to their positions. Moreover, we comply with government laws and regulations, implement ethical corporate management, and aim to achieve sustainable corporate operations and robust growth.
Policy	Recruitment is conducted based on the principles of fairness and impartiality.
Commitment	If the Company generates a profit in a given year, 3% shall be allocated as employee compensation, to be distributed in the form of stock or cash as resolved by the Board of Directors. The recipients may include employees of subsidiaries meeting certain criteria. The Board may also allocate up to 2% of the profit amount as directors' compensation. The employee and director compensation distribution plan shall be reported to the shareholders' meeting. If the Company still has accumulated losses, the amount to cover such losses shall be retained first before allocating compensation to employees and directors in accordance with the aforementioned ratios.
Short-Term Goals	● Adjust salaries annually in a timely manner according to individual employee performance contributions. ● Maintain quarterly labor-management meetings to ensure smooth communication. ● Comply with the provisions of the RBA Code of Conduct to legally safeguard and protect employee rights and interests. ● Maintain an entry-level salary higher than the statutory minimum wage.
Mid- to Long-Term Goals	● Adjust salaries annually in a timely manner according to individual employee performance contributions. ● Achieve 100% employee participation in annual health checkups.
Resources Invested in the Year	● Mid-Autumn Festival barbecue gathering, beach cleanup activity, distribution of holiday bonuses for three major festivals, year-end bonuses, and the 60th anniversary celebration. ● Four sessions each of the Employee Welfare Committee and labor-management meetings held in accordance with the law. ● Employee training conducted on RBA-related topics.
Performance Results	● In 2025, the entry-level salary for basic-level employees was 1.18 times the statutory minimum wage. ● In 2025, there were no labor-management dispute incidents. ● In 2025, all employees completed a total of 337 hours of RBA training.
Responsible Department	Human Resources Department

Cheng Fwa determines employee compensation based on the achievement of annual business objectives and overall profitability, striving to provide compensation packages that exceed local legal requirements and remain competitive in the market. Employees scheduled for salary adjustments in the given year are required to undergo annual performance evaluations to ensure that individual performance is appropriately reflected in their compensation, and to promote employees with managerial capabilities and leadership potential to management positions. The Company has clearly stipulated relevant policies in the Work Rules, Employee Appointment and Salary Determination Guidelines, Salary Management Guidelines (covering appointment, salary determination, promotion, transfer, and salary adjustment), Human Resources Management Procedures (Employee Training Guidelines), and Reward and Disciplinary Guidelines. In particular, the Employee Appointment and Salary Determination Guidelines include provisions on “non-discrimination,” “equal pay for equal work for newly hired male and female employees,” and “salaries shall not be lower than the statutory minimum wage,” aiming to provide employees with a work environment free from discrimination and harassment, and one that promotes fair growth. Over the past three years, the Company has maintained consistent base salaries and total compensation between male and female employees, thereby implementing a gender-equal pay policy.

To reduce employees’ work stress and enhance efficiency, Cheng Fwa plans multiple welfare activities each year, offers a comfortable working environment, and promotes employees’ physical and mental well-being as well as work-life balance. The Company strives to foster a friendly and supportive workplace environment, enhancing cohesion among colleagues.

Ratio of Base Salary to Compensation

Year			2023 年		2024 年		2025 年	
Major Operating Location	Employee Category	Item	Male	Female	Male	Female	Male	Female
Taiwan	Direct	Base Salary	1.07	1	1.10	1	1.10	1
		Compensation	1.05	1	1.13	1	1.12	1
	Indirect	Base Salary	1.39	1	1.35	1	1.33	1
		Compensation	1.38	1	1.30	1	1.28	1

Ratio of Entry-Level Employee Standard Salary to Local Minimum Wage

Entry-Level Employee Category	Gender	Ratio of Standard Salary to Local Minimum Wage
Taiwan	Male	1.18
	Female	1.18

Note: The standard salary for entry-level employees refers to the starting salary for direct employees.

Category	Item
Insurance and Retirement Protection	Labor insurance, National Health Insurance, and contributions to both the old and new labor pension schemes
Medical Insurance	Group insurance, occupational injury insurance, and regular health checkups
Activities	Birthday celebrations, departmental gatherings, year-end parties and employee raffles, employee trips, and irregular group sports competitions
Cash Gifts	Holiday bonuses for three major festivals, childbirth cash gifts, wedding cash gifts, hospitalization subsidies, and funeral subsidies
Facilities	Employee cafeteria, employee dormitory, and car/motorcycle parking spaces
Emergency Assistance	Injury and illness allowances, and death benefits for work-related causes
Other Benefits	Employee proposal awards, recognition of long-serving outstanding employees, employee education sponsorships and scholarships for employees’ children, and enlistment bonuses

2025 Employee health check



Long-Serving Employee Awards

To recognize the dedication of long-serving employees, those with 10, 20, or 30 years of service are commended by the Chairperson and awarded a certificate. Additionally, employees with 20 or more years of service receive a gold coin for long-serving employees as a token of appreciation for their many years of contribution.



Mid-Autumn Festival Barbecue Fun





2025 Performance Evaluation Statistics

Category	Number Evaluated	Total Number Required for Evaluation	Evaluation Rate
Male Employees	43	196	21.94%
Female Employees	23	141	16.31%
Direct	23	168	13.69%
Indirect	43	169	25.44%

Note: Only employees receiving a salary adjustment in the given year are subject to evaluation.

Employee Retirement Benefits

To ensure proper retirement planning for employees, Cheng Fwa has established the “Labor Pension Fund Supervisory Committee” in accordance with the Labor Standards Act and the Labor Pension Act. The Company’s retirement pension system operates solely under the Defined Contribution Plan (New Pension Scheme).

Defined Contribution Plan (New Pension Scheme)

Cheng Fwa has legally established a Labor Pension Fund Supervisory Committee and makes monthly contributions of no less than 6% of each employee’s wages in accordance with the law. The retirement system fully complies with the Labor Standards Act. Employees with at least 15 years of service and aged 55 or above, or those with at least 25 years of service, may apply for voluntary retirement. Retirement benefits are granted based on the employee’s length of service, with two months’ base salary awarded for each year of service up to 25 years, and one month’s base salary for each additional year beyond 25 years, subject to a maximum of 45 months’ base salary in total.

The salary information for full-time employees not holding managerial positions has been disclosed on the Market Observation Post System. Please refer to the following link and enter [OTC (上櫃), the desired year, and the “Computer and Peripheral Equipment (電腦及週邊設備業)” industry] with the stock code 5426 for inquiry: <https://mops.twse.com.tw/mops/#/web/t100sb15>



5.2 Talent Sustainability

Material Topic Management Policy: Talent Development	
Significance and Impact on the Company	In response to the rapid changes in the external environment, fierce industry competition, and globalization trends, the Company is committed to building a learning-oriented organization and fostering a culture of learning within the organization. A mid- to long-term training and development system is planned to cultivate and retain talent, ensuring that the Company acquires the necessary personnel and capabilities to achieve its operational goals. In planning the employee training and development system, in addition to new employee training, the primary focus is on corporate needs, integrating the requirements of individual job functions and the professional or managerial competencies needed to perform duties. The framework includes general training, professional competency training, and position-level training, serving as the main structure for employees' career development.
Policy / Commitment	Cheng Fwa has established dedicated organizations and units to provide appropriate training and learning resources to employees and executives at various levels and in different positions, supporting their job competencies and career development. In order to enhance employees' abilities and assist in their growth, training programs are implemented to align with the Company's development goals.
Short-Term Goals	1. Ensure 100% completion of new employee training. 2. Maintain an average of over 4 training hours per employee annually. 3. Expand training programs for front-line supervisors and mid- to senior-level managers.
Mid- to Long-Term Goals	1. Increase the average training hours per employee in all categories year by year. 2. Strengthen managerial competency requirements to meet the Company's future challenges and growth.
Resources Invested in the Year	1. Plan relevant courses based on annual training plans submitted by each department. 2. Provide diverse learning channels.
Performance Results	1. In 2025, the average training hours per employee reached 7.7hours per person. 2. In 2025, a total of six types of learning channels were offered. 3. In 2025, the completion rate for new employee training was 100%. 4. In 2025, a total of 280 hours of occupational safety training were provided.
Responsible Department	Human Resources Department

Training, Development, and Career Management

In response to the rapid changes in the external environment, fierce industry competition, and globalization trends, the Company is committed to building a learning-oriented organization and fostering a culture of learning within the organization. A mid- to long-term training and development system is planned to cultivate and retain talent, ensuring that the Company acquires the necessary personnel and capabilities to achieve its operational goals. In planning the employee training and development system, in addition to new employee training, the primary focus is on corporate needs, integrating the requirements of individual job functions and the professional or managerial competencies needed to perform duties. The framework includes general training, professional competency training, and position-level training, serving as the main structure for employees' career development.

Short-term annual training plans include new employee training to help new hires quickly understand the corporate culture and develop a sense of identity with the Company; general courses focusing on enhancing employees' general knowledge such as regulations and quality, familiarizing them with basic operations, personnel management rules, and operational skills; and professional competency training that focuses on the professional knowledge, techniques, concepts, safe work procedures, and SOP (Standard Operating Procedures) required in employees' respective fields. Position-level training is also arranged to strengthen managers' leadership capabilities. Through the comprehensive training system, implemented via annual training plans and delivered through diverse channels such as on-the-job training, in-house training, and external training, the Company comprehensively enhances employees' professional and managerial capabilities, improves team operational performance, and links corporate growth with employees' career development, enabling labor and management to grow together.

To support employees in career transitions or during separation from the Company, Cheng Fwa has implemented various assistance measures. For retired employees with extensive technical experience, the Company may offer reemployment opportunities based on actual needs, employing them as technical advisors on a one-year contract basis to extend their professional value and facilitate knowledge transfer. In cases of involuntary separation, the Company grants statutory severance pay in accordance with relevant labor laws to safeguard employees' fundamental rights. Through these arrangements, the Company aims to provide more flexible and humane support mechanisms to help employees smoothly transition to the next stage of their careers or personal lives.

Training and Development System

Item	Training Categories and Content
On-the-Job Training	Professional training (conducted by each unit as needed)
General Courses	1. Company Overview 2. Work Rules and Attendance Regulations 3. Safety and Health Training 4. Operational Practices 5. Corporate Culture Promotion 6. Introduction to Quality/HSF/Environmental/Social Responsibility Policies and Quality/HSF/Social Responsibility Environmental Objectives 7. Emergency Response Training
Position-Level Training	New Employee Training
Professional Competency Training	1. Administrative Operations Professional Training 2. Quality Management Professional Training 3. Technical R&D Professional Training 4. Production Management Professional Training
Learning Channels	1. Internal Training 2. External Training 3. Job Rotation 4. Interaction with Supervisors and Colleagues 5. Technical Exchange with Overseas Plants 6. Overseas Assignments

Diverse Learning

Employees can enhance their personal learning journeys anytime and anywhere through diversified learning channels. Currently, employees not only improve their professional capabilities through internal and external training and interaction with supervisors and colleagues, but also broaden and deepen their experience via opportunities such as job rotation, technical exchange with overseas plants, and overseas assignments to undertake critical work. These experiences prepare employees to be fully competent and confident when promoted to managerial positions, enabling them to further challenge themselves, deliver better work performance, and achieve higher results.

Average Training Hours per Employee

Statistics/Year		2023 年	2024 年	2025 年
Number of Employees		331	320	337
Average Training Hours per Employee		12.50	4.92	7.78
Average Training Hours per Employee by Gender	Female	4.81	3.41	8.59
	Male	18.14	6.01	7.21
Average Training Hours per Employee by Category	Direct	9.32	3.50	4.65
	Indirect	15.78	6.28	10.90

Note: The annual average training hours per employee = (total training hours of all employees during the year ÷ total number of employees at year-end).

The annual average training hours per female employee = (total training hours of all female employees during the year ÷ total number of female employees at year-end).

The annual average training hours per employee in each category = (total training hours of employees in that category during the year ÷ total number of employees in that category at year-end).

Labor/Management Relations

Cheng Fwa upholds an open and respectful philosophy, establishing diversified labor-management communication channels to respect employees' opinions and promote harmonious labor relations. Positive labor relations help enhance employee morale and cohesion, which greatly benefits operational performance. Therefore, the Company actively builds diverse communication channels to maintain smooth two-way communication and interaction between labor and management, ensuring that corporate information is delivered promptly, accurately, and effectively. For employee grievances, the Company provides complaint channels to listen to employees' voices, opinions, and suggestions. Responsible department executives are required to provide timely and appropriate responses, which serve as a basis for improving corporate management efficiency, or for setting specific goals and KPI tasks with deadlines for improvement.

The Company has established four major communication channels:

- 1) Meetings with supervisors at all levels: Such as face-to-face real-time communication, regular unit/department meetings, and cross-departmental meetings.
- 2) Human resources mechanisms: Performance evaluations, feedback channels, regular meetings with foreign workers, and personnel announcements.
- 3) Labor-management representatives: Labor-management meetings and the Employee Welfare Committee.
- 4) Audit unit: Complaints may be filed through the employee grievance channel, and opinions or suggestions may be conveyed to the internal audit unit for handling and investigation.

Smooth communication between labor and management helps foster cooperation, enabling employees to understand the Company's operational plans, business conditions, and market situation. While the Company has not yet established a corporate union or signed a collective agreement, it complies with regulations by holding regular labor-management meetings and maintaining multiple communication channels. In addition, regular tripartite meetings between the employer, employees, and labor agencies are arranged for foreign workers to address adaptation and other related issues promptly, laying the foundation for positive and harmonious employee relations. Cheng Fwa also respects employees' legal right to freedom of assembly and association, without opposing, preventing, or interfering with such activities. In compliance with the law, the Company has established a Labor-Management Meeting, an Employee Welfare Committee, and a Labor Pension Fund Supervisory Committee. Labor-management meetings are held quarterly in accordance with legal requirements, and the Employee Welfare Committee also holds regular meetings. In recent years, labor relations have been stable and harmonious, with no labor disputes or losses incurred due to labor-management conflicts. Furthermore, in the event of significant operational changes such as mass layoffs, plant closures/relocations, or changes to employee work locations, the Company will notify employees 30 days in advance in accordance with the "Act of the Protection of Employees During Mass Redundancy" to safeguard their rights and interests. In 2025, there were no employee complaints filed with local authorities and no employee grievances or complaints received by the Company.

5.3 Occupational Safety and Health

5.3.1 Occupational Safety and Health Management System

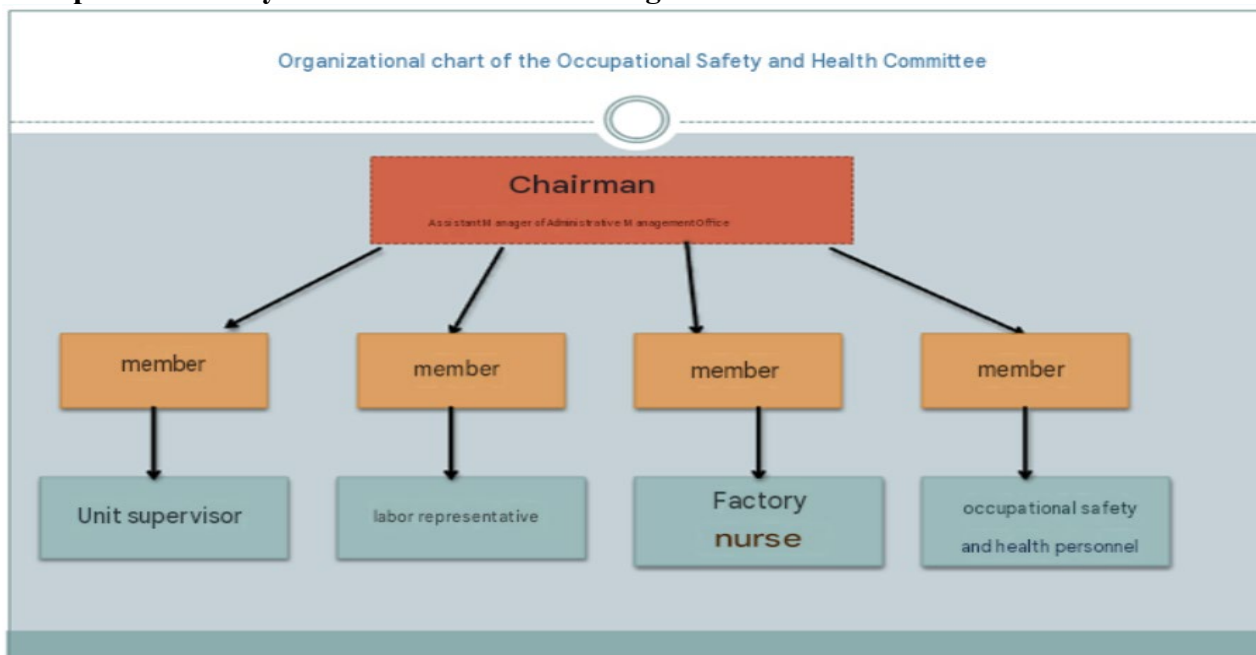
The Company places great importance on employee health and safety. To provide a safe and healthy working environment, prevent diseases, and reduce operational risks in the workplace, the Company has independently established an occupational safety and health management system in accordance with the “Regulations of Occupational Safety and Health Management.” The system covers all workers at the Company’s Sanchong headquarters and factory, including regular and contract employees. The Company has submitted its Labor Safety and Health Work Rules for record with the Occupational Safety and Health Administration and has allocated resources to establish the “Occupational Safety and Health Management Committee” (hereinafter referred to as the OSH Committee). The OSH Committee consists of 12 members, with the Chairperson served by the Assistant President of the Administration Division. Committee members include department executives, occupational safety and health personnel, engineering technicians, plant nursing staff, and labor representatives, of which four labor representatives are selected from various units.

The Committee convenes once every three months to review, coordinate, and make recommendations on occupational safety and health matters, decide on occupational accident investigation results, study workplace environmental monitoring results, and propose health management and health promotion measures. It also assesses the performance of on-site safety and health management to prevent occupational accidents and ensure a safe and healthy working environment. In 2025, four committee meetings were held, and there were no major occupational accidents.

To address various occupational accident handling and emergency response needs, the Company has formulated “Emergency Response Procedures” to enhance employees’ understanding of emergency measures in the event of an incident. In 2025, no occupational accidents occurred, and two fire drills were conducted, with a total of 62 participants and a cumulative drill duration of eight hours.

To encourage employees to proactively identify risks by reporting near-miss incidents and preventing potential hazards, as well as to make suggestions regarding the Company’s occupational safety and health policies or file complaints related to any work environment, health concerns, or safety hazards, a suggestion and complaint mailbox has been set up. Feedback received is handled by the relevant personnel. In 2025, no occupational safety and health-related complaints were received.

Occupational Safety and Health Committee Organizational Structure



OSH Objectives



5.3.2 Hazard Identification, Risk Assessment, Accident Investigation, and Emergency Response

The Company has established the “Hazard Identification and Risk Assessment Operating Procedures” to address occupational safety and health hazards and risks that may affect employees, stakeholders, and the workplace environment. These procedures serve as the basis for setting safety and health management objectives, operational controls, emergency response measures, and training programs, as well as for reviewing and evaluating past and existing safety and health management performance. This process aims to improve management efficiency and ultimately achieve the goal of “zero hazards and zero accidents” while complying with the requirements of the RBA/SA 8000 social responsibility standards. In addition, in accordance with Article 18 of the Occupational Safety and Health Act, employees who detect danger in their work area may stop operations, move to a safe location, and immediately report the actual situation to their direct supervisor.

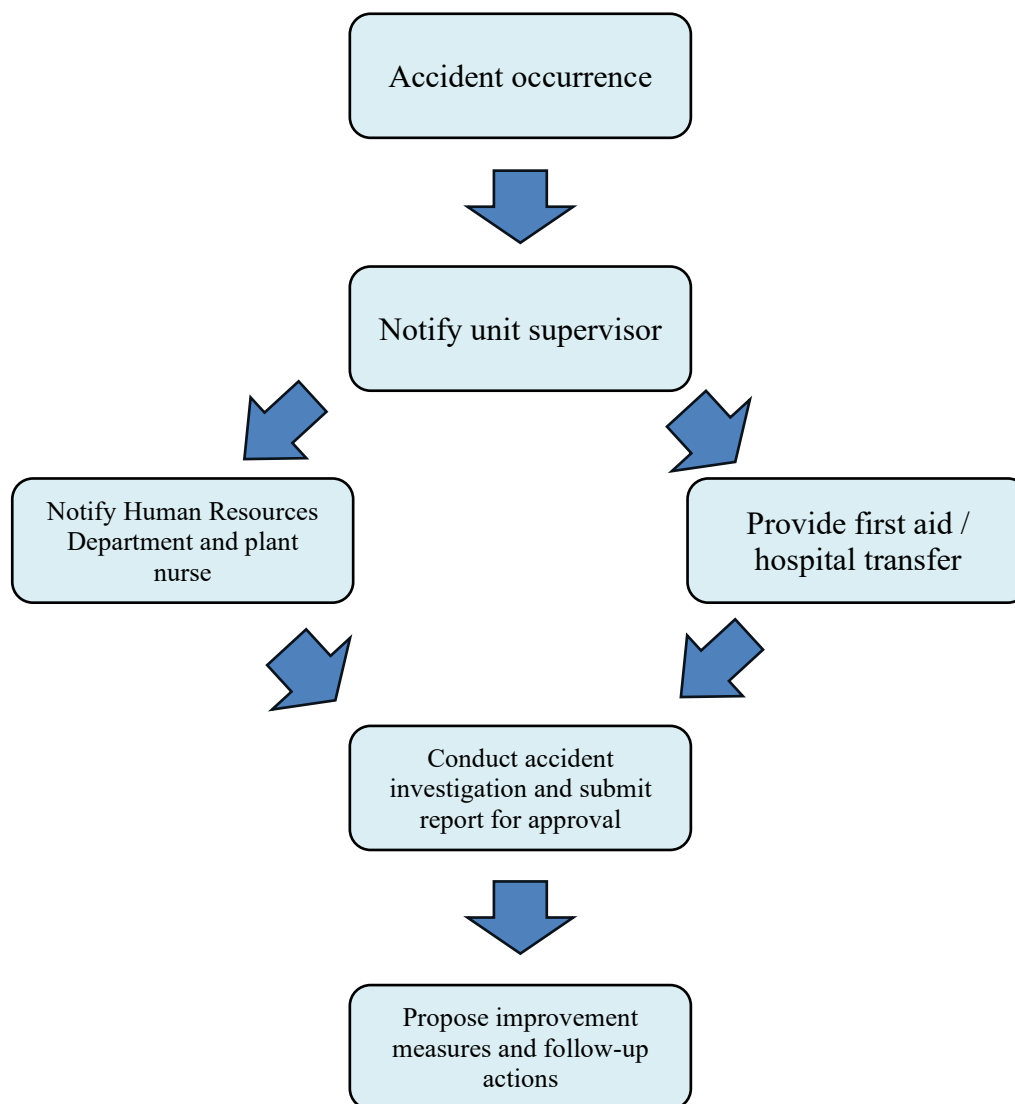
Hazard Identification and Analysis

The Company requires relevant department personnel to identify hazards involving all activities, facilities, and processes, taking into account routine and non-routine activities, activities of all individuals entering the workplace, and facilities provided by the organization or external parties. The hazard identification form is then submitted to the OSH Committee for review and confirmation. In compliance with the “Occupational Safety and Health Act,” the Company’s factory has identified only general hazards. In accordance with the Company’s “Self-Inspection Management Procedures,” self-inspections are conducted, with additional inspections implemented in high-risk areas to ensure the safety of personnel, machinery, and equipment. In 2025, the actual implementation rate reached 100%, with no major hazards identified.

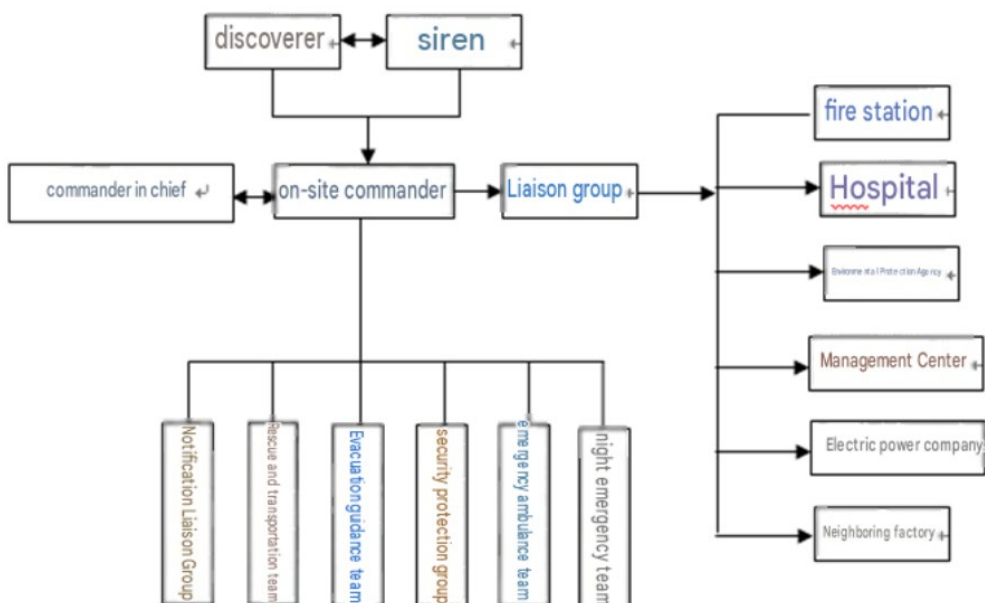
Risk Grading Assessment and 2025 Audit Results

Each year, the Company reassesses its existing risk points using the risk evaluation system. Operational activities are assessed based on the Job Hazard Safety Risk Analysis Method, $R = F \times S \times A$, where R = risk level, F = frequency of occurrence (1–10 points), S = severity of consequences (1/3/5/7/10 points), and A = scope of impact (1/3/5 points). Risks are categorized into nine levels, with scores above 50 classified as health and safety risks requiring countermeasures and mitigation actions. Level 9 represents the most unacceptable risk. In 2025, a total of 42 risk points were identified, including 2 major risks and 40 low risks.

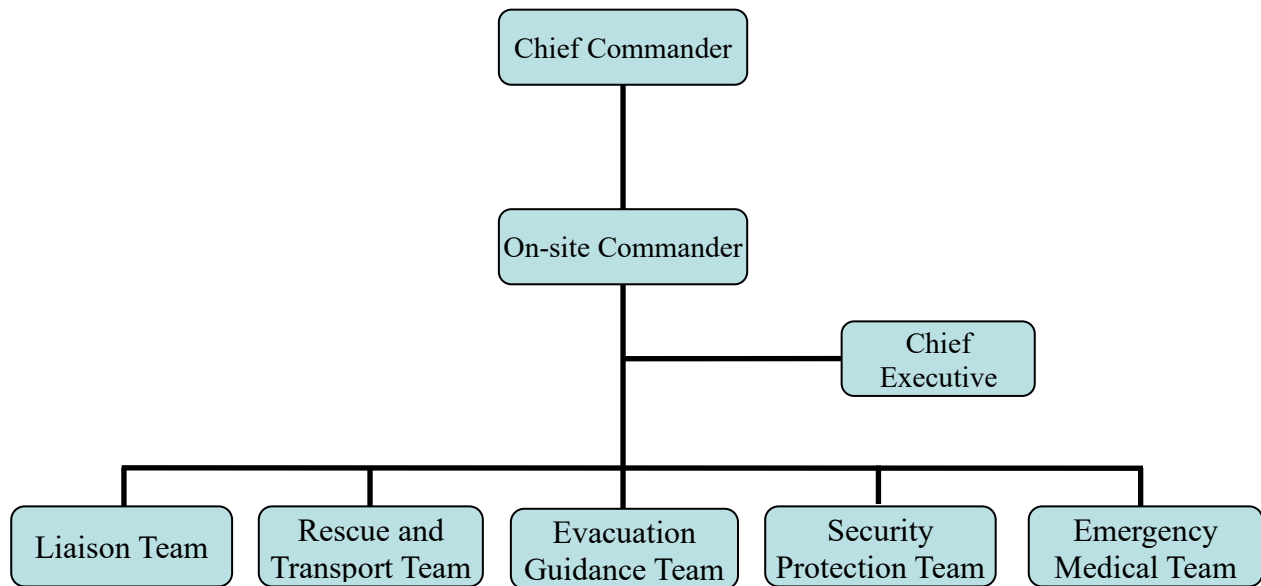
Accident Investigation Process



Fire Accident Investigation Process



Emergency Response Organizational Structure



2025 Emergency Response Drill

Date	2025/7/12	
Drill	Fire Safety Drill	
Description	Conducted an all-employee meeting for training and learning the emergency response plan. Enhanced employees' basic fire safety knowledge and training on the use of fire extinguishers, and strengthened self-protection awareness. For key positions and critical areas, practical exercises were carried out to improve employees' ability to respond to emergencies.	
		

5.3.3 Number of Workers Covered by the Occupational Safety and Health Management System

Management System / Regulation	Type of Inspection	Number of Workers	Coverage Rate
Occupational Safety and Health Act	Internal Audit	377	100%

5.3.4 Occupational Safety and Health Training

The Company has established an annual plan for general occupational safety and health training and relevant professional training for all employees. Based on this plan, workplace safety training and assessments are carried out to ensure that employees operate in accordance with safety regulations, thereby reducing workplace injury incidents. In addition, if occupational accident news related to the industry occurs in society, the causes will be analyzed, and safety awareness campaigns for similar risks within the plant will be conducted. All in-house training is provided free of charge, along with consultation services. The Company keeps records of all training in its archives and distributes training sign-in sheets and questionnaires.

Year	Training Type	Total Participants	Total Training Hours
2023	Internal Training	26	78
2024	Internal Training	22	66
2024	External Training	20	145
2025	Internal Training	31	124

5.3.5 Occupational Injury Statistics and Analysis

According to the statistics and analysis of occupational injuries and occupational diseases, one recordable occupational injury occurred each year from 2022 to 2024. Following each incident, the Company provided relevant awareness and preventive measures to employees in the hope of achieving the goal of zero occupational accidents.

Year		2023	2024	2025
Total Hours Worked		596,433	621,115	635,146
Work-Related Fatalities	No of Employees	0	0	0
	%	0	0	0
Serious Occupational Injuries (Excluding Fatalities)	No of Employees	0	0	0
	%	0	0	0
Recordable Occupational Injuries	No of Employees	1	1	1
	%	0.34	0.32	0.32
Occupational Diseases	No of Employees	0	0	0
	%	0	0	0
Recordable Occupational Diseases	No of Employees	0	0	0
	%	0	0	0

Note 1: The Company may choose to calculate the rate based on every 200,000 or 1,000,000 work hours.

Note 2: Serious occupational injury refers to an injury that results in death or causes the worker to be unable or unlikely to recover to their pre-injury health status within six months. Fatalities should be excluded from the statistical count for this category.

Note 3: Recordable occupational injuries or diseases include those caused by any of the following: death; absence from work; restricted work or job transfer; medical treatment beyond first aid; loss of consciousness; or a significant injury or illness diagnosed by a physician or other licensed healthcare professional (even if it does not result in death, absence from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness). Fatalities should be included in the statistical count for this category. Specify whether minor injuries (work injuries resolved through on-site first aid) are excluded or included.

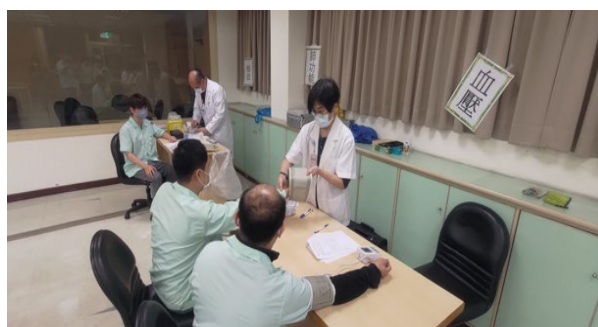
Note 4: Occupational injury statistics include only injuries caused by company vehicle accidents, excluding personal traffic accidents involving non-company vehicles.

Main Types / Year		2023 年	2024 年	2025 年	Hazards and Improvement Measures
Types of Occupational Injuries	Falls	1			Promote safety awareness measures
	Cuts				Educate employees on correct machine operation and safety precautions
	Crushing/ Impact Injuries		1	1	Educate employees on correct machine operation and safety precautions

5.3.6 Health Examinations and Health Promotion

With the changes in society and the economy, the Company, in accordance with legal requirements, actively plans, promotes, and implements health-related initiatives covering three major aspects: health services, health education, and a healthy working environment. We periodically conduct disease prevention campaigns, health and safety awareness programs, special hygiene lectures, employee preventive health consultations, and employee health examinations. To protect employees' health, the Company collaborates with healthcare professionals to provide services such as health risk assessments, health management, health promotion, workplace hazard assessments and recommendations, as well as health education, aiming to ensure that employees' work performance is not affected by health issues and that workplace health care is effectively implemented.

The Company conducts occupational health examinations every two years, including special health examinations for designated items, and performs occupational hazard factor testing for dust, hazardous chemicals, and physical hazards. Based on the examination results, we implement abnormality grading management, provide personal health guidance to employees, strengthen relevant health education, arrange follow-up re-examinations, and take measures to improve hazard factors, thereby continuously managing employee health. In 2025, a total of 388 employees underwent occupational health examinations, with no employees failing to meet the legally required examination frequency, and no cases of occupational diseases or suspected occupational diseases were identified.



Occupational Health Examination Implementation in 2025

Number of Employees Required to Undergo Health Examination	Follow-up Results
377	All 377 employees participated in occupational health examinations; no abnormalities found.

Special Health Hazard Factor Testing in 2025

Number of Testing Items	Total Sampling Points	Number of Job Types Tested	Test Results
4	166	10	19 testing locations; all results complied with occupational exposure limit requirements.

Note: Testing items include noise, dust, hazardous chemicals, and physical hazards.

Health Promotion and Care for Workers

Occupational safety announcements and employee health promotion information are periodically posted on the bulletin board. In 2025, the Company assessed 250 cases concerning maternal health protection, abnormal workload, and ergonomic hazard prevention. Except for 7 employees with moderate risk in abnormal workload, no employees were identified with moderate or high risk in the other categories. For employees with moderate risk, occupational health nurses conducted follow-up care, and on-site physicians provided consultations, recommendations, and evaluations for possible working hour adjustments or job content changes. The Company also provides a nursing room for employees in need.

During the severe flu season in 2025, the Company subsidized certain employees for influenza vaccinations to reduce the risk of infection. Furthermore, to balance employees' physical and mental well-being, the Company organized a 60th Anniversary Carnival and a charitable beach cleanup event at Qianshui Bay, both open to all employees to participate voluntarily, fostering communication, sharing experiences and stories, promoting teamwork, and creating cherished memories.

Beach Cleanup Activity



60th Anniversary Carnival



Nursing Room



5.3.7 Prevention and Mitigation of Occupational Safety and Health Impacts Directly Related to Business Relationships

Cheng Fwa Industrial Co., Ltd. operates in the metal processing industry, with work environments consisting of general offices and factories. Business relationships directly related to the Company primarily involve suppliers and industry partners, whose workplaces are often construction sites. To prevent and mitigate potential negative impact risks, the Company's occupational safety and health personnel conduct due diligence by collecting information on major

occupational safety incidents that have occurred domestically and within the same industry. Based on this, the Company has established the “Occupational Safety and Health Management Operating Standards” and the “Contractor Safety and Health Management Regulations.” Routine inspection records are implemented for both offices and factory sites to ensure that workers and workplaces are free from similar issues or related operational risks. If any hazard risks are identified during inspections, measures are taken in accordance with the procedures of hazard identification, countermeasure formulation, countermeasure implementation, and execution review, to make every effort to prevent and mitigate potential hazards. For subcontractors/contractors who fail to comply with the Company’s occupational safety and health regulations and cause hazards, the Company not only requires immediate improvement but also takes actions in accordance with the severity of the incident. When necessary, such parties may be listed as ineligible for future cooperation.

Achieving zero occupational incidents is a constant goal of Cheng Fwa Industrial Co., Ltd. Before signing contracts or commencing work with contractors, the Company explains the occupational safety and health rules for contractor operations and fully communicates the Company’s safety and health management procedures to them. In accordance with the “Occupational Safety and Health Management Operating Standards,” the Company establishes the Labor Site Safety and Health Rules, holds labor safety and health meetings regularly based on these rules to reduce occupational incident rates, and activates the site emergency response plan in accordance with the “Incident Handling and Investigation Procedures” immediately upon the occurrence of an incident, to ensure swift handling and prevent the incident from escalating and causing more severe harm.

Implementation of Contractor Occupational Safety and Health Management

Contractor construction operation management, occupational safety and health management supervision, and communication with and supervision of contractors must comply with the Contractor Safety and Health Management Regulations.

Item	Execution Item	Specific Content
1	Occupational Safety and Health Awareness	1. Hold occupational safety and health meetings (for large-scale projects). 2. Provide hazard notifications prior to construction based on the actual construction situation. 3. Hold coordination meetings before each type of work enters the site. 4. Promote and implement relevant laws and Company regulations.
2	Occupational Safety and Health Signage	1. Post notices in accordance with relevant legal requirements. 2. Post occupational safety awareness and precautions.
3	Occupational Safety and Health Inspections	1. Ensure personal protective equipment is worn properly. 2. Conduct irregular inspections of the work area for potential hazards such as falls, electric shocks, trips, or slips. 3. Perform spot checks at any time to ensure construction machinery and equipment meet regulatory requirements.
4	Work Area Access Control	1. Control and register personnel entry/exit and exchange of entry passes. 2. Control and register vehicle entry/exit. 3. Require prior application for the entry of hazardous machinery or equipment.
5	Toolbox Meetings	1. Conduct pre-shift safety education and awareness sessions daily before work. 2. Conduct occupational safety and health inspections before commencing operations. 3. Conduct occupational safety and health inspections and record them during operations. 4. Clean up the work environment and hold end-of-work meetings after operations.
6	Rest Area	Ensure the health and safety of personnel during rest and meal breaks.

5.4 Social Engagement

Public Welfare Donations

Cheng Fwa spares no effort in contributing to society, providing social services, and supporting public welfare initiatives, such as sponsoring educational development for remote schools, improving classrooms and equipment, and donating to charitable organizations to assist those in need. Public welfare donation amounts totaled over NT\$2.35 million in 2022, over NT\$3.17 million in 2023, and over NT\$4.29 million in 2024, and over NT\$2.46 million in 2025.

2023 Donation Beneficiaries	Donation Amount (NT\$)
Xianse Temple, New Taipei City (incense money, etc.)	\$180,000
New Taipei City Government (donation of accessible buses)	\$1,271,238
Public welfare donations (San-Chung Precinct, San-Chung Commercial and Industrial Vocational High School)	\$773,450
Rotary Club of Taipei Joyful East; Friends of the Police Association (donations and self-strengthening activities)	\$952,550
Total	\$3,177,238

2024 Donation Beneficiaries	Donation Amount (NT\$)
San-Chung Precinct, Taichang Elementary School, Xinggu Elementary School, etc.	\$483,483
New Taipei City Government (donation of accessible buses)	\$1,273,118
Xianse Temple; Mazu Cultural Association	\$990,00
Friends of the Police Association; Tzu Chi Foundation; San-Chung Fubao Care	\$1,552,590
Total	\$4,299,191

2025 Donation Beneficiaries	捐贈金額(新台幣元)
Sanchong Police Precinct, etc	\$979,193
New Taipei City Xianse Temple	\$400,000
Jinling Girls' High School 、Mennonite Foundation,etc	\$1,089,590
Total	\$2,468,843

Community Care

(1) Meal Delivery for Elderly Living Alone

Since 2011, the Company has collaborated with the Sanchong City Office, donating NT\$50,000 every month to participate in the long-term “Meal Delivery for Elderly Living Alone” program. In addition, the Company purchases mooncakes from the Children Are Us Foundation to give to elderly living alone during festive seasons, ensuring that they receive care and attention from the community.



(2) Donation of Rehabilitation Buses

In 2022, 2023, and 2024, the Company each donated one rehabilitation bus for persons with disabilities to the New Taipei City Government.



(3) Participation in Xianse Temple Festivities and Cultural Activities

Xianse Temple, located in Sanchong District, New Taipei City, has a history of 250 years and is recognized as a national Class 3 historic site, preserving the beauty of Taiwan's traditional temple architecture with two main halls, two corridors, and two guard rooms. Today, Xianse Temple is not only the oldest temple in Sanchong District but also organizes community hiking activities, skill competitions, and women's seminars. The Company actively participates in temple-related cultural events such as the Lunar New Year Lantern Festival and the Birthday of Emperor Shennong. The Company sponsored the temple's Chinese orchestra to perform and exchange in Beijing and invited the orchestra to perform at the Company's year-end banquet, which received widespread praise and positive feedback.



(4) Employee Participation in Charity Volunteer Activities

In addition to regularly donating receipts to the Genesis Social Welfare Foundation, employees also voluntarily take part in charity volunteer activities. In 2022, the Company organized the “Join Hands to Spread Love—We Invite You to Donate Receipts” campaign and donated all proceeds from an internal mask charity sale to the Mennonite Social Welfare Foundation. In 2023, a second-hand goods charity sale was held at the factory, with the NT\$110,000 raised donated to the Syin-Lu Social Welfare Foundation. In 2024, the Company organized a “Beach Cleanup Activity” at Qianshui Bay to promote social welfare and environmental protection, fully demonstrating teamwork and compassion through collective effort. In 2025, a blood donation drive and care center will be held at New Taipei Metropolitan Park, demonstrating our commitment to kindness and compassion..





(5) Scholarships

To support students in the Sanchong area, the Company has established a scholarship for underprivileged students at Jinling Girls' High School, helping those from disadvantaged backgrounds or families facing sudden hardship to complete their education. President Tsai Tsung-Hsun also leads by example, joining members of the Yung-Long Cultural and Educational Foundation and other entrepreneurs and philanthropists in quietly performing charitable deeds over the years. They have sponsored numerous scholarships and teaching equipment for children in remote areas, ensuring that they are not deprived of learning opportunities due to a lack of resources. Benefited schools include Hwa-Gang Junior High School, Pinghe Junior High School, Yudong Junior High School, Wanrong Junior High School, Yuemei Elementary School, Ji'an Elementary School, Renhua Elementary School, Daxing Elementary School, Nanhua Elementary School, and Zhonghua Elementary School. The support has also contributed to the development of soccer teams, tennis teams, woodworking, dance programs, and the improvement of campus environments and facilities.

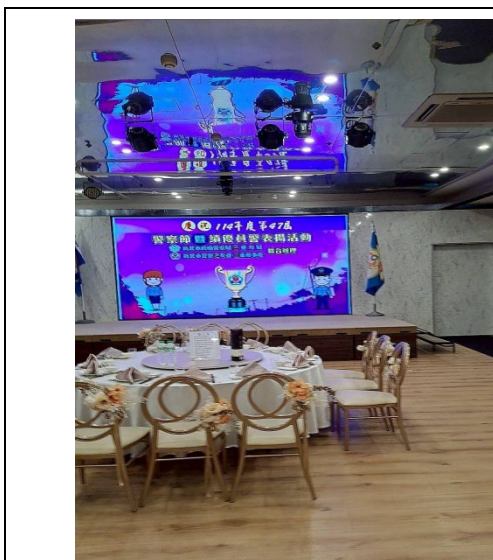


(6) Charity Carnival

In 2024, the Company held its 60th Anniversary Carnival and invited charitable organizations to participate. All proceeds from the redemption of fair coupons and charity sales were donated to the New Taipei City Bethel Holistic Care Association.



- (7) Sanchong Office of the New Taipei City Friends of the Police Association
President Tsai Tsung-Hsun currently serves as the Chairperson of the Sanchong Office of the New Taipei City Friends of the Police Association. As such, the Company participates in and sponsors various activities to commend and extend condolences to police officers with outstanding service, as well as organizing events to strengthen relations between the police and the community.



Appendix I: GRI Content Index

Statement of Use	Cheng Fwa Industrial Co., Ltd. has reported the information for the period from January 1, 2025 to December 31, 2025 with reference to the GRI Standards.				
GRI 1 Used	GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)	The Company operates in the computer and peripheral equipment industry. Currently, there are no applicable GRI Sector Standards for the peripheral equipment industry.				
Remarks	An asterisk (*) before a topic indicates a material topic.				
Disclosure Title	No.	Contents or Explanation	Chapter	Page	Note
GRI 2: General Disclosure 2021					
The organization and its reporting practices	2-1	Organizational Details	2.1 Company Overview	P4 、 P5	
	2-2	Entities included in the organization's sustainability reporting	About This Report	P4 、 P5	
	2-3	Reporting period, frequency and contact point	About This Report	P4 、 P5	
	2-4	Restatements of information	About This Report	P4 、 P5	
	2-5	External assurance	About This Report		Edit by yourself
Activities and workers	2-6	Activities, value chain and other business relationships	2.1 Company Overview	P8 、 P9	
	2-7	Employees	5.1 Happy Workplace	P71~P75	
	2-8	Workers who are not employees	5.1 Happy Workplace	P71~P75	
Governance	2-9	Governance structure and composition	1.1 Sustainable Development Strategy/ Organizational Chart of ESG Sustainable Development Committee 2.2 Management Structure 3.1 Governance Practices	P7 P22 P24~P33	

	2-10	Nomination and selection of the highest governance body	3.1 Governance Practices	P26	
	2-11	Chair of the highest governance body	3.1 Governance Practices	P26	
	2-12	Role of the highest governance body in overseeing the management of impacts	3.1 Governance Practices 3.2 Risk Management	P31~P33	
	2-13	Delegation of responsibility for managing impacts	3.1 Governance Practices 3.2 Risk Management	P31~P33	
	2-14	Role of the highest governance body in sustainability reporting	1.1 Sustainable Development Strategy	P6	
	2-15	Conflicts of interest	3.1 Governance Practices	P26~P27	
	2-16	Communication of critical concerns	3.1 Governance Practices	P26~P27	
	2-17	Collective knowledge of the highest governance body	3.1 Governance Practices	P26~P27	
	2-18	Evaluation of the performance of the highest governance body	3.1 Governance Practices	P30	
	2-19	Remuneration policies	3.1 Governance Practices	P29	
	2-20	Process to determine remuneration	3.1 Governance Practices	P29	
	2-21	Annual total compensation ratio	--	--	Confidentiality restrictions: Certain information is classified as company confidential.
Strategy, policies and practices	2-22	Statement on sustainable development strategy	Message from the Chairman	P2~P3	
	2-23	Policy commitments	1.1 Sustainable Development Strategy	P6	
	2-24	Embedding policy commitments	1.1 Sustainable Development Strategy	P6	

	2-25	Processes to remediate negative impacts	3.1 Governance Practices 3.2 Risk Management	P31~P33	
	2-26	Mechanisms for seeking advice and raising concerns	3.1 Governance Practices	P29	
	2-27	Compliance with laws and regulations	3.4 Regulatory Compliance	P38~P40	
	2-28	Membership associations	2.3 Corporate Honors and Participation in External Organizations	P23	
Stakeholder engagement	2-29	Approach to stakeholder engagement	1.3 Stakeholder Communication Channels and Key Concerns	P9~P11	
	2-30	Collective bargaining agreements	5.2 Talent Sustainability		Not applicable: The Company has not signed any collective bargaining agreements.
GRI 3: Material Topic Disclosure 2021					
*Material Topic	3-1	Process to determine material topics	1.4 Identification of Material Topics	P10	
	3-2	List of material topics	1.4 Identification of Material Topics	P10	
*Operational Performance					
GRI 3: Material Topic Disclosure 2021	3-3	Management of material topics	1.4 Identification of Material Topics	P10~P11	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	3.5 Operational Performance	P41~P42	
	201-2	Financial implications and other risks and opportunities due to climate change	3.3 Climate-related Financial Disclosures	P37	
	201-3	Defined benefit plan obligations and other retirement plans	5.2 Talent Sustainability	P75	
	201-4	Financial assistance received from government	3.5 Operational Performance	P44	

GRI 207: Tax 2019	207-1	Approach to tax	3.5 Operational Performance	P41~42	
	207-2	Tax governance, control, and risk management	3.5 Operational Performance	P45	
	207-3	Stakeholder engagement and management of concerns related to tax	3.5 Operational Performance	P45	
	207-4	Country-by-country reporting	3.5 Operational Performance	P46	
*Sustainable Supply Chain					
GRI 3: Material Topic Disclosure 2021	3-3	Management of material topics	1.4 Identification of Material Topics	P10~P11	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	3.9 Sustainable Supply Chain	P57	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	3.9 Sustainable Supply Chain	P57~P58	
	308-2	Negative environmental impacts in the supply chain and actions taken	3.9 Sustainable Supply Chain	P57~P58	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	3.9 Sustainable Supply Chain	P57~P58	
	414-2	Negative social impacts in the supply chain and actions taken	3.9 Sustainable Supply Chain	P57~P58	
*Raw Material Management					
GRI 3: Material Topic Disclosure 2021	3-3	Management of material topics	1.4 Identification of Material Topics	P10~P11	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	4.1 Raw Material Management	P59~P61	
*Greenhouse Gas Management					
GRI 3: Material Topic Disclosure 2021	3-3	Management of material topics	1.4 Identification of Material Topics	P10~P11	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	4.3 Greenhouse Gas Management	P64	
	305-2	Energy indirect (Scope 2) GHG emissions	4.3 Greenhouse Gas Management	P64	
	305-3	Other indirect (Scope 3) GHG emissions	4.3 Greenhouse Gas Management	P64	

	305-4	GHG emissions intensity	4.3 Greenhouse Gas Management	P63	
	305-5	Reduction of GHG emissions	4.3 Greenhouse Gas Management	P64	
	305-6	Emissions of ozone-depleting substances (ODS)	4.3 Greenhouse Gas Management	P65~P66	
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	4.3 Greenhouse Gas Management	P65~P66	
*Compensation and Benefits					
GRI 3: Material Topic Disclosure 2021	3-3	Management of material topics	1.4 Identification of Material Topics	P10~P11	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5.2 Talent Sustainability	P77	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	5.1 Happy Workplace	P74	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Talent Sustainability	P77~P78	
	401-3	Parental leave	5.2 Talent Sustainability	P75	
GRI 405: Diversity and Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men	5.2 Talent Sustainability	P77	
*Talent Development					
GRI 3: Material Topic Disclosure 2021	3-3	Management of material topics	1.4 Identification of Material Topics	P10~P11	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	5.2 Talent Sustainability	P81	
	404-2	Programs for upgrading employee skills and transition assistance programs	5.2 Talent Sustainability	P71 、 P81	
	404-3	Percentage of employees receiving regular performance and career development reviews	5.2 Talent Sustainability	P81 、 P83	
Economic Aspect					
Market Presence					
GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	5.1 Happy Workplace	P75	
Social Engagement					

GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	5.4 Social Engagement	P93~P97	
Anti-corruption					
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	3.4 Regulatory Compliance	P39~P40	
	205-2	Communication and training about anti-corruption policies and procedures	3.4 Regulatory Compliance	P39~P40	
	205-3	Confirmed incidents of corruption and actions taken	3.4 Regulatory Compliance	P39~P40	
Anti-competitive Behavior					
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	3.4 Regulatory Compliance	P39	
Environmental Aspect					
Energy Management					
GRI 302: Energy 2016	302-1	Energy consumption within the organization	4.2 Energy Management	P62	
	302-2	Energy consumption outside of the organization	4.2 Energy Management	P62	
	302-3	Energy intensity	4.2 Energy Management	P63	
	302-4	Reduction of energy consumption	4.2 Energy Management	P62	
Water Resource Management					
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	4.4 Water Resource Management	P67	
	303-2	Management of water discharge-related impacts	4.4 Water Resource Management	P67~P68	
	303-3	Water withdrawal	4.4 Water Resource Management	P67~P68	
	303-4	Water discharge	4.4 Water Resource Management	P67~P68	
	303-5	Water consumption	4.4 Water Resource Management	P67~P68	
Waste Management					
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related	4.5 Waste Management	P69	

		impacts			
	306-2	Management of significant waste-related impacts	4.5 Waste Management	P69	
	306-3	Waste generated	4.5 Waste Management	P69	
	306-4	Waste diverted from disposal	4.5 Waste Management	P70	
	306-5	Waste directed to disposal	4.5 Waste Management	P70	
Social Aspect					
Labor/Management Relations					
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	5.2 Talent Sustainability	P82	
Occupational Health and Safety					
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	5.3 Occupational Safety and Health	P85	
	403-2	Hazard identification, risk assessment, and incident investigation	5.3 Occupational Safety and Health	P86~P87	
	403-3	Occupational health services	5.3 Occupational Safety and Health	P90	
	403-4	Worker participation, consultation, and communication on occupational health and safety	5.3 Occupational Safety and Health	P90	
	403-5	Worker training on occupational health and safety	5.3 Occupational Safety and Health	P90	
	403-6	Promotion of worker health	5.3 Occupational Safety and Health	P90	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.3 Occupational Safety and Health	P90	
	403-8	Workers covered by an occupational health and safety management system	5.3 Occupational Safety and Health	P88	
	403-9	Work-related injuries	5.3 Occupational Safety and Health	P89	
	403-10	Work-related ill health	5.3 Occupational Safety and Health	P89	
Diversity and Equal Opportunity					

GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	3.1.1 Board of Directors 5.1 Happy Workplace	P25~P26 P71	
Non-discrimination					
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	5.1 Happy Workplace	P71	
Freedom of Association and Collective Bargaining					
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	5.1 Happy Workplace 3.9 Sustainable Supply Chain	P71 P56	
Child Labor					
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	5.1 Happy Workplace 3.9 Sustainable Supply Chain	P71 P56	
Forced or Compulsory Labor					
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	5.1 Happy Workplace 3.9 Sustainable Supply Chain	P71 P56	

Appendix II: Sustainability Disclosure Indicators – Computer and Peripheral Equipment Industry

No.	Indicator	Type	Annual Disclosure			Unit
1	Total energy consumption, percentage of purchased electricity, and renewable energy usage rate	Quantitative	Total energy consumption: 1493.1792 GJ Percentage of purchased electricity: 27.5% Renewable energy usage rate: 0%			Gigajoules (GJ), Percentage (%)
2	Total water withdrawal and total water consumption	Quantitative	Total water withdrawal: 68.231 thousand m ³ Total water consumption: 0 m ³			Thousand cubic meters (m ³)
3	Weight of hazardous waste generated and recycling percentage	Quantitative	Hazardous industrial waste generated: 0 metric tons Recycling percentage: 0%			Metric tons (t), Percentage (%)
4	Description of occupational injury types, number of cases, and rate	Quantitative	Headquarters office-based operations, with potential occupational injury risk being overwork Number of occupational injury cases: 1 Occupational injury rate: 0.32%			Number, Percentage (%)
5	Disclosure on product life cycle management, including the weight of disposed products and electronic waste, and recycling percentage	Quantitative	Products and electronic waste at end of life: 0 metric tons, recycling rate: 0%			Metric tons (t), Percentage (%)
6	Description of risk management related to the use of critical materials	Qualitative description	Refer to Ch. 3.9 Sustainable Supply Chain and 3.2 Risk Management			N/A
7	Total monetary losses resulting from legal proceedings related to anti-competitive behavior	Quantitative	No monetary losses resulting from legal proceedings related to anti-competitive behavior; total monetary losses: 0			Reporting currency
8	Main product output by product category	Quantitative		Main Products	2025 Output	Pieces
				STB Enclosure		
				Computer Enclosure	983,702	
				Others		

Note 1: Including the sale of scrap or other recycling treatment; relevant descriptions should be provided.

Appendix III: Climate-related Information of OTC Companies

Risks and Opportunities Posed by Climate Change to the Company and Related Response Measures

Risks and Opportunities Faced by the Company and Related Response Measures											
Item		Company Response									
1.	Description of Board of Directors and Management Oversight and Governance of Climate-related Risks and Opportunities	● In the future, the Sustainable Development Committee will periodically report to the Board of Directors on climate change risk response status, with the Board overseeing the effectiveness of implementation. ● The Company has established a Sustainable Development Committee, chaired by the Chairperson and President, which convenes meetings on an ad hoc basis each year to discuss risks and opportunities arising from climate-related changes to business operations, as well as corresponding response strategies.									
2.	Description of How Identified Climate Risks and Opportunities Affect Business, Strategy, and Financials (Short-, Medium-, and Long-term)	Cheng Fwa identifies climate risks and opportunities across short-term (within 2 years), medium-term (2–6 years), and long-term (over 6 years) horizons, and assesses their impacts on company business, strategy, and financials. Business Aspect Risks: Customer low-carbon requirements, material carbon emission controls, and production risks caused by extreme weather necessitate accelerated deployment of low-carbon materials, enhanced manufacturing resilience, and strengthened supply chain management. Opportunities: Demand for low-carbon products, renewable energy procurement, and technological innovations present long-term growth opportunities. Strategic Aspect Actions: The company promotes low-carbon design, expands renewable energy use, and improves energy and water management efficiency. Measures: It also strengthens supply chain carbon disclosure and local sourcing to address risks and capture new opportunities. Financial Aspect Short-Term: Faces rising energy and material costs alongside increased compliance expenses. Medium-Term: Requires capital expenditures in renewable energy, energy-saving equipment, and resilience infrastructure to mitigate risks of operational disruptions and lost customer orders. Long-Term: Low-carbon products and green manufacturing strategies will enhance market competitiveness and lower carbon costs. In conclusion, defining short-, medium-, and long-term climate risks and opportunities—and integrating them into business decisions and financial planning—effectively strengthens the company's resilience against climate change and bolsters its commercial competitiveness.									
3.	Description of the Financial Impact of Extreme Weather Events and Transition Actions	<table><tr><th>Oriented</th><th>project</th><th>Financial impact on the company</th></tr><tr><td>Transformation Risks - Policies and Regulations</td><td>Taiwan's carbon fee collection mechanism</td><td>In response to climate change policies and regulations, companies may face the risk of carbon taxation, leading to increased operating costs. However, since our company is not a high-carbon-emission industry, the impact on our finances is minimal.</td></tr><tr><td>Transformation Risks - Market</td><td>Raw material costs rose</td><td>Extreme weather may lead to a shortage of raw materials, causing suppliers to raise prices. Increased raw material costs will raise the company's operating costs, dilute profits, and reduce competitiveness.</td></tr></table>	Oriented	project	Financial impact on the company	Transformation Risks - Policies and Regulations	Taiwan's carbon fee collection mechanism	In response to climate change policies and regulations, companies may face the risk of carbon taxation, leading to increased operating costs. However, since our company is not a high-carbon-emission industry, the impact on our finances is minimal.	Transformation Risks - Market	Raw material costs rose	Extreme weather may lead to a shortage of raw materials, causing suppliers to raise prices. Increased raw material costs will raise the company's operating costs, dilute profits, and reduce competitiveness.
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4. Description of How Climate Risk Identification, Assessment, and Management Processes Are Integrated into the Overall Risk Management System	● The Company's Board of Directors has approved the "Risk Management Policies and Procedures," which clearly define risk management policies and implementation guidelines. The Sustainable Development Committee evaluates climate risks within the scope of operations. ● Personnel of each responsible department identify potential risks faced by the Company within their authority, establish appropriate measurement methods, and assess the potential damage severity as a basis for risk management. ● After risk assessment and consolidation, each responsible department should adopt appropriate response measures for potential risks, such as risk identification clarification, assessment reports, and contingency control plan implementation. ● The Sustainable Development Committee regularly reports the risk status to the Board of Directors for management reference, ensuring the execution of risk management procedures and verification of implementation results.			
5. If Scenario Analysis Is Used to Assess Resilience to Climate Change Risks, State the Scenarios, Parameters, Assumptions, Analytical Factors, and Major Financial Impacts Used	The Company has not yet adopted scenario analysis.			
6. If There Are Transition Plans for Managing Climate-related Risks, Describe the Content of the Plan, and the Indicators and Targets Used to Identify and Manage Physical and Transition Risks	Aspect	Item	Timeframe	Risk and Opportunity Management Measures
	Transition Risk – Policies & Regulations	Taiwan carbon fee collection mechanism	Long-term	Continue ISO 14064-1 voluntary greenhouse gas inventory and various energy-saving measures to control carbon emissions.
	Transition Risk – Market	Increase in raw material costs	Long-term	Establish partnerships with multiple suppliers to avoid reliance on a single supplier, build long-term cooperative trust to gain supplier support and priority treatment, and closely monitor market and industry changes, including raw material price trends and supply conditions. Anticipate potential issues in advance, and, if necessary, sign long-term supply contracts with suppliers to ensure stable supply and pricing.
7. If Internal Carbon Pricing Is Used as a Planning Tool, State the Basis for Price Setting	Internal carbon pricing has not yet been implemented.			

8. If Climate-related Targets Are Set, State the Covered Activities, Greenhouse Gas Emission Scopes, Planning Period, and Annual Progress; If Carbon Offsets or Renewable Energy Certificates (RECs) Are Used to Achieve Targets, State the Source and Amount of the Offsets or the Number of RECs	1. Increase disclosure of Scope 1 and Scope 2 greenhouse gas inventory results on the official website, ESG digital platform, and Market Observation Post System. 2. Short-term target: Achieve a 5% improvement in energy efficiency at major production facilities; mid- to long-term target: Increase the proportion of green energy usage to 50% and commission self-built solar power generation facilities. 3. Complete the full inventory of the Company's 2027 Scope 1 and Scope 2 greenhouse gas emissions by 2025, and include Scope 3 data in the monitoring plan. 4. Continue voluntary greenhouse gas inventory in accordance with ISO 14064-1: 2018 verification standards to accurately monitor greenhouse gas emissions, and subsequently research and propose feasible greenhouse gas reduction plans. 5. Carbon offsets or Renewable Energy Certificates (RECs) have not yet been used to offset carbon credits.
9. Greenhouse Gas Inventory and Assurance Status, and Reduction Targets, Strategies, and Concrete Action Plans (Also Reported in 1-1 and 1-2)	As shown in the table below.

1-1 Greenhouse Gas Inventory Information

Description of greenhouse gas emissions for the most recent two years (metric tons CO₂e), emission intensity (metric tons CO₂e per NT\$ million), data coverage, and assurance status.

Category	2024		2025		Assurance Organization and Assurance Status (Verification Certificate)
Scope 1	Total Emissions (metric tons CO ₂ e)	Emission Intensity (metric tons CO ₂ e / NT\$ million)	Total Emissions (metric tons CO ₂ e)	Emission Intensity (metric tons CO ₂ e / NT\$ million)	
Parent Company	287.1617	0.3565	308.36	0.3222	Assurance has not yet been implemented.
Scope 2	Total Emissions (metric tons CO ₂ e)	Emission Intensity (metric tons CO ₂ e / NT\$ million)	Total Emissions (metric tons CO ₂ e)	Emission Intensity (metric tons CO ₂ e / NT\$ million)	
Parent Company	1,346.1884	1.6711	1493.1792	1.5605	

Note: Revenue for 2024 was NT\$805.587 million; revenue for 2025 was NT\$956.811 million.

1-2 Greenhouse Gas Reduction Targets, Strategies, and Specific Action Plans

Description of the baseline year and data for greenhouse gas reduction, reduction targets, strategies, specific action plans, and progress toward achieving the reduction targets.

Reduction Targets	Strategic Actions	Planned Timeline
1. It is expected that by 2027, a complete inventory of greenhouse gas emissions in categories I and II will be completed for the entire company, and category III data will be incorporated into the monitoring plan. 2. Starting in 2025, continue conducting voluntary greenhouse gas emission inventories in accordance with ISO 14064-1:2018 verification standards to accurately monitor greenhouse gas emissions, and subsequently develop and propose feasible reduction plans.	1. Install automatic doors and door curtains in workplaces to prevent air conditioning leakage. 2. Turn off overhead lighting in non-operational areas to reduce electricity consumption. 3. Use variable-frequency air conditioners and circulation fans. 4. Unplug equipment when not in use. 5. Choose energy-saving office equipment with standby functions, replace outdated equipment, and implement a zonal responsibility management system. 6. Discuss mold design with customers to reduce the number of processes, thereby saving electricity consumed when printing mold drawings. 7. Short-term target: Achieve a 5% improvement in energy efficiency at major production facilities. 8. Medium- to long-term target: Increase the proportion of green energy use to 20% and launch self-built solar power generation facilities.	2025~2030