

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024  
AND  
INDEPENDENT AUDITORS' REPORT**

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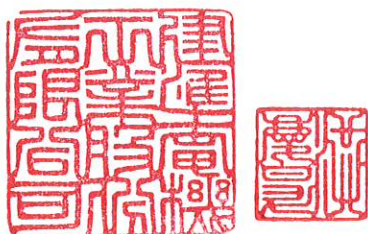
## REPRESENTATION LETTER

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

Very truly yours,

Sunonwealth Electric Machine Industry Co., Ltd.

By



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Ching-Shen Hong  
Chairman

March 5, 2026

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Sunonwealth Electric Machine Industry Co., Ltd.

### Opinion

We have audited the accompanying consolidated balance sheets of Sunonwealth Electric Machine Industry Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other independent accountants, as described in the other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

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



## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2025 are stated as follows:

### Valuation of inventory

Please refer to Note 4(8) to the consolidated financial statements for the accounting policy of inventories, Note 5(2)G for critical accounting judgments, estimates and key sources of assumption uncertainty of inventories, and Note 6(4) for inventory valuation.

Description of key audit matter:

As of December 31, 2025, inventory was \$2,423,976 thousand and accounted for 13.9% of the total assets. Due to rapid changes in technology may lead to write-downs of slow-moving inventories to their net realizable values. As uncertainty exists in management's judgment when the determining the loss on inventory, the valuation of inventory has been identified as a key audit matter.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included the understanding of the feature of the product and the inventory aging to confirm the appropriateness of the inventory evaluation method, testing the book value of the inventory to assess the rationality of the change in the impairment loss of the inventory, obtaining the inventory status of the Group and compare the actual write-offs of the past to assess the appropriateness of the valuation for obsolescent and damaged inventories.

### Revenue recognition

Please refer to Note 4(20) to the consolidated financial statements for the accounting policy of revenue recognition, Note 5(1)B and Note 5(2)A for critical accounting judgements, estimates and key sources of assumption uncertainty of revenue recognition, and Note 6 (23) for the description of revenue recognition.



#### Description of key audit matter:

The Group's sales revenue is easily influenced by various factors such as the industry boom and market environment, and has a significant impact on the utilization rate of the Group (the levy of idle capacity loss), inventory risk and cash flow. Consequently, this is one of the key areas our audit focused on.

#### How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included testing the Group's controls surrounding revenue recognition, inspecting customer orders and performing a test of revenue transactions which incurred within a certain period before or after the balance sheet date.

#### **Other Matters**

As described in Note 4(3) to the consolidated financial statements, we didn't audit the financial statements of certain subsidiaries. The financial statements of the subsidiaries were audited by the other auditors. Therefore, our opinion, insofar as it relates to the amounts and information disclosed, is solely based on the report of the other auditors. The figures as to these subsidiaries' total assets amounted to \$504,928 thousand and \$503,750 thousand, representing 2.90% and 3.36% of the consolidated assets, and their total liabilities amounted to \$273,018 thousand and \$255,170 thousand, representing 3.20% and 3.61% of the consolidated liabilities as of December 31, 2025 and 2024, respectively; their total revenues amounted \$648,350 thousand and \$653,426 thousand, representing 3.47% and 4.47% of the consolidated revenue, and their total comprehensive income amounted to (\$16,670) thousand and (\$11,103) thousand, representing (0.81%) and (0.67%) of the consolidated comprehensive income for the years ended December 31, 2025 and 2024, respectively. In addition, as described in Note 6(8) to the consolidated financial statements, the financial statements of investments accounted for using equity method were audited by the other auditors. The carrying value of these investments amounted to \$42,561 thousand and \$17,676 thousand, representing 0.24% and 0.12% of the consolidated assets as of December 31, 2025 and 2024, and share of profit (loss) of these associates accounted for using equity method amounted to (\$4,083) thousand and (\$6,590) thousand, representing (0.15%) and (0.33%) of the consolidated income before income tax for the year ended December 31, 2025 and 2024, respectively. Also, share of other comprehensive income of these associates accounted for using equity method amounted to both \$0 thousand, representing both 0% of total consolidated comprehensive income for the year ended December 31, 2025 and 2024.



We have also audited the parent company only financial statements of Sunonwealth Electric Machine Industry Co., Ltd. as of and for the years ended December 31, 2025 and 2024 on which we have issued an unmodified opinion including in the other matter paragraph.

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

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

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

Those charged with governance (inclusive of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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



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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2025 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kuo Ming Li and Ling Wen Huang.

Crowe (TW) CPAs

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Crowe (TW) CPAs

Kaohsiung, Taiwan (Republic of China)

March 5, 2026

Notice to Readers

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

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**

**(In Thousands of New Taiwan Dollars)**

Assets	Note	December 31, 2025		December 31, 2024	
		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6(1)	\$5,256,400	30.1	\$4,678,438	31.2
Notes receivable, net	6(2)	62,103	0.4	5,749	-
Accounts receivable, net	6(3)	5,155,351	29.6	4,097,028	27.3
Other receivables		195,051	1.1	144,504	1.0
Current tax assets		387	-	18,624	0.1
Inventories	6(4)	2,423,976	13.9	2,180,914	14.6
Prepayments		100,030	0.6	84,871	0.6
Other financial assets - current	6(5)	-	-	228,041	1.5
Total current assets		13,193,298	75.7	11,438,169	76.3
<b>NONCURRENT ASSETS</b>					
Current financial assets at fair value through profit or loss - noncurrent	6(6)	-	-	173,170	1.2
Financial assets at fair value through other comprehensive income or loss - noncurrent	6(7)	30,095	0.2	31,549	0.2
Investments accounted for using equity method	6(8)	42,561	0.2	17,676	0.1
Property, plant and equipment	6(9)	3,053,538	17.5	2,460,697	16.4
Right-of-use assets	6(10)	737,278	4.2	617,290	4.1
Investment properties, net	6(11)	84,004	0.5	84,371	0.6
Intangible assets	6(12)	62,676	0.4	53,211	0.4
Deferred income tax assets	6(29)	131,059	0.8	93,367	0.6
Refundable deposits		31,039	0.2	21,428	0.1
Other non-current assets - other		60,980	0.3	7,433	-
Total noncurrent assets		4,233,230	24.3	3,560,192	23.7
<b>TOTAL ASSESTS</b>		<b>\$17,426,528</b>	<b>100.0</b>	<b>\$14,998,361</b>	<b>100.0</b>
<b>Liabilities and Equity</b>					
<b>CURRENT LIABILITIES</b>					
Short-term loans	6(13)	\$469,518	2.7	\$927,601	6.2
Contract liabilities - current	6(23)	164,903	0.9	109,304	0.7
Notes payable		40,123	0.2	28,095	0.2
Accounts payable	7	4,530,263	26.1	3,434,772	22.9
Other payables	6(14)、7	1,453,969	8.3	1,152,199	7.7
Current tax liabilities		263,982	1.5	164,177	1.1
Provisions - current	6(15)	68,346	0.4	61,697	0.4
Lease liabilities - current	6(10)	81,393	0.5	82,041	0.6
Current portion of long-term loans	6(17)	116,534	0.7	122,333	0.8
Total current liabilities		7,189,031	41.3	6,082,219	40.6

Liabilities and Equity	Note	December 31, 2025		December 31, 2024	
		Amount	%	Amount	%
<b>NONCURRENT LIABILITIES</b>					
Long-term loans	6(17)	612,500	3.4	478,426	3.2
Deferred income tax liabilities	6(29)	464,049	2.7	384,761	2.5
Lease liabilities - noncurrent	6(10)	259,304	1.5	113,168	0.8
Net defined benefit liabilities - noncurrent	6(18)	13,679	0.1	18,148	0.1
Guarantee deposits		878	-	1,377	-
Total noncurrent liabilities		<u>1,350,410</u>	<u>7.7</u>	<u>995,880</u>	<u>6.6</u>
Total Liabilities		<u>8,539,441</u>	<u>49.0</u>	<u>7,078,099</u>	<u>47.2</u>
<b>EQUITY</b>					
Share capital	6(18)				
Ordinary shares		2,734,437	15.7	2,734,437	18.2
Capital surplus	6(19)	1,518,788	8.7	1,518,788	10.1
Retained earnings	6(20)				
Legal reserve		1,278,634	7.3	1,129,127	7.5
Special reserve		136,662	0.8	300,185	2.0
Unappropriated earnings		3,540,830	20.3	2,374,387	15.9
Other equity	6(21)	(244,321)	(1.4)	(136,662)	(0.9)
Treasury shares	6(22)	(77,943)	(0.4)	-	-
Total equity attributable to owners of the parent		<u>8,887,087</u>	<u>51.0</u>	<u>7,920,262</u>	<u>52.8</u>
<b>NON-CONTROLLING INTERESTS</b>					
Total equity		<u>8,887,087</u>	<u>51.0</u>	<u>7,920,262</u>	<u>52.8</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$17,426,528</u>	<u>100.0</u>	<u>\$14,998,361</u>	<u>100.0</u>

The accompanying notes are an integral part of the parent company only financial statements.

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Note	Year Ended December 31			
		2025		2024	
		Amount	%	Amount	%
OPERATING REVENUES	6(23)	\$18,677,810	100.0	\$14,623,817	100.0
OPERATING COSTS	6(4)	(12,876,422)	(68.9)	(10,467,118)	(71.6)
GROSS PROFIT		5,801,388	31.1	4,156,699	28.4
OPERATING EXPENSES					
Sales and marketing		(1,084,502)	(5.8)	(878,141)	(6.0)
General and administrative		(819,999)	(4.4)	(705,755)	(4.8)
Research and development		(1,082,326)	(5.8)	(892,634)	(6.1)
Expected credit gain (loss)	6(3)	(5,324)	-	(3,498)	-
Total operating expenses		(2,992,151)	(16.0)	(2,480,028)	(16.9)
INCOME FROM OPERATIONS		2,809,237	15.1	1,676,671	11.5
NON-OPERATING INCOME AND EXPENSES					
Interest revenue	6(25)	111,175	0.6	132,177	0.9
Other income	6(26)	257,095	1.4	162,378	1.1
Other gains and losses	6(27)	(335,887)	(1.9)	54,415	0.4
Finance costs	6(28)	(40,657)	(0.2)	(37,317)	(0.3)
Share of loss of associates and joint ventures accounted for using equity method		(4,083)	-	(6,590)	-
Total non-operating income and expenses		(12,357)	(0.1)	305,063	2.1
INCOME BEFORE INCOME TAX		2,796,880	15.0	1,981,734	13.6
INCOME TAX EXPENSE	6(29)	(631,181)	(3.4)	(489,641)	(3.4)
NET INCOME		2,165,699	11.6	1,492,093	10.2
OTHER COMPREHENSIVE INCOME (LOSS)	6(30)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit obligation		(1,913)	-	3,714	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income		(758)	-	4,206	-
Income tax benefit related to items that will not be reclassified subsequently		383	-	(743)	-
Total items that will not be reclassified subsequently to profit or loss		(2,288)	-	7,177	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(133,626)	(0.7)	199,146	1.4
Income tax (expense) benefit related to items that may be reclassified subsequently to profit or loss		26,725	0.1	(39,829)	(0.3)
Total items that may be reclassified subsequently to profit or loss		(106,901)	(0.6)	159,317	1.1
Total other comprehensive loss, net of income tax		(109,189)	(0.6)	166,494	1.1
TOTAL COMPREHENSIVE INCOME		\$ 2,056,510	11.0	\$ 1,658,587	11.3
PROFIT (LOSS), ATTRIBUTABLE TO:					
Parent company owner (net profit/loss)		\$ 2,165,699	11.6	\$ 1,492,093	10.2
Non-controlling interest (net profit/loss)		-	-	-	-
		\$ 2,165,699	11.6	\$ 1,492,093	10.2
TOTAL COMPREHENSIVE PROFIT OR LOSS IS ATTRIBUTABLE TO :					
Parent company owner (comprehensive profit and loss)		\$ 2,056,510	11.0	\$ 1,658,587	11.3
Non-controlling interest (comprehensive profit and loss)		-	-	-	-
		\$ 2,056,510	11.0	\$ 1,658,587	11.3
EARNINGS PER SHARE					
Basic	6(31)	\$7.94		\$5.46	
Diluted	6(31)	\$7.93		\$5.45	

The accompanying notes are an integral part of the parent company only financial statements.

SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent											Non-controlling Interests	Total Equity
	Capital Stock		Capital Surplus	Retained Earnings			Other		Treasury shares	Total			
	Ordinary Shares	Certificate of Bond Exchange Rights		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive income					
BALANCE AT JANUARY 1, 2024	\$2,725,243	\$9,194	\$1,518,788	\$995,720	\$257,757	\$2,012,211	(\$305,248)	\$5,063	\$ -	\$7,218,728	\$ -	\$7,218,728	
Appropriations and distributions of prior years' earnings:													
Legal reserve	-	-	-	133,407	-	(133,407)	-	-	-	-	-	-	
Special reserve	-	-	-	-	42,428	(42,428)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(957,053)	-	-	-	(957,053)	-	(957,053)	
Net income in 2024	-	-	-	-	-	1,492,093	-	-	-	1,492,093	-	1,492,093	
Other comprehensive income (loss) in 2024, net of income tax	-	-	-	-	-	2,971	159,317	4,206	-	166,494	-	166,494	
Total comprehensive income in 2024	-	-	-	-	-	1,495,064	159,317	4,206	-	1,658,587	-	1,658,587	
Bond conversion entitlement certificate	9,194	(9,194)	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	
BALANCE AT DECEMBER 31, 2024	2,734,437	-	1,518,788	1,129,127	300,185	2,374,387	(145,931)	9,269	-	7,920,262	-	7,920,262	
Appropriations and distributions of prior years' earnings:													
Legal reserve	-	-	-	149,507	-	(149,507)	-	-	-	-	-	-	
Cash dividends	-	-	-	-	-	(1,011,742)	-	-	-	(1,011,742)	-	(1,011,742)	
Special reserve	-	-	-	-	(163,523)	163,523	-	-	-	-	-	-	
Net income in 2025	-	-	-	-	-	2,165,699	-	-	-	2,165,699	-	2,165,699	
Other comprehensive income (loss) in 2025, net of income tax	-	-	-	-	-	(1,530)	(106,901)	(758)	-	(109,189)	-	(109,189)	
Total comprehensive income in 2025	-	-	-	-	-	2,164,169	(106,901)	(758)	-	2,056,510	-	2,056,510	
Repurchase cost of treasury shares	-	-	-	-	-	-	-	-	(77,943)	(77,943)	-	(77,943)	
BALANCE AT DECEMBER 31, 2025	\$2,734,437	\$ -	\$1,518,788	\$1,278,634	\$136,662	\$3,540,830	(\$252,832)	\$8,511	(\$77,943)	\$8,887,087	\$ -	\$8,887,087	

The accompanying notes are an integral part of the consolidated financial statements.

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)

	Year Ended December 31	
	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,796,880	\$ 1,981,734
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation	463,876	412,906
Amortization	86,025	81,659
Expected credit loss (gain)	5,324	3,498
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	173,170	(12,920)
Interest expense	40,657	37,317
Interest income	(111,175)	(132,177)
Dividend Income	(217)	-
Share of loss (gain) of associates and joint ventures accounted for using equity method	4,083	6,590
Loss (gain) on disposal and retirement of property, plant and equipment	6,178	10,947
Transfer of property, plant and equipment to expenses	5,001	179
Loss (gain) on disposal of other assets	-	(39)
Total adjustments to reconcile profit and loss	<u>672,922</u>	<u>407,960</u>
Net changes in operating assets and liabilities		
Decrease (increase) in notes receivable	(56,354)	24,341
Decrease (increase) in accounts receivable	(1,063,604)	(1,051,379)
Decrease (increase) in other receivables	(27,162)	(38,073)
Decrease (increase) in inventories	(241,485)	(132,764)
Decrease (increase) in prepayments	(56,753)	(42,414)
Decrease (increase) in other financial assets	228,041	(11,280)
Total changes in operating assets	<u>(1,217,317)</u>	<u>(1,251,569)</u>
Net changes in operating liabilities		
Increase (decrease) in contract liabilities	55,599	(236)
Increase (decrease) in notes payable	12,028	(2,972)
Increase (decrease) in accounts payable	1,095,491	697,760
Increase (decrease) in other payables	239,438	155,957
Increase (decrease) in provisions	6,843	7,627
Increase (decrease) in advance receipts	-	(571)
Increase (decrease) in net defined benefit liabilities	(6,382)	(6,869)
Total changes in operating liabilities	<u>1,403,017</u>	<u>850,696</u>
Total net changes in operating assets and liabilities	<u>185,700</u>	<u>(400,873)</u>
Total adjustments	<u>858,622</u>	<u>7,087</u>

	Year Ended December 31	
	2025	2024
Cash generated from operations	\$3,655,502	\$1,988,821
Interest received	125,205	126,516
Dividends received	217	-
Interest paid	(42,445)	(36,345)
Income tax paid	(445,006)	(397,223)
Net cash generated from operating activities	<u>3,293,473</u>	<u>1,681,769</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	-	(160,250)
Acquisition of investments accounted for using equity method	(31,129)	(2,279)
Proceeds from capital reduction of investee accounted for using equity method	1,802	-
Acquisition of property, plant and equipment	(953,149)	(513,017)
Proceeds from disposal of property, plant and equipment	509	-
Increase in refundable deposits	(9,611)	(467)
Decrease in other receivables	(37,415)	-
Acquisition of intangible assets	(23,652)	(57,309)
Increase in other noncurrent assets	(62,010)	(11,344)
Other investing activities	652	-
Net cash used in investing activities	<u>(1,114,003)</u>	<u>(744,666)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	-	470,020
Decrease in short-term loans	(458,083)	-
Proceeds from long-term loans	128,275	205,053
Increase in guarantee deposits	-	538
Decrease in guarantee deposits	(499)	-
Repayments of lease principal	(99,083)	(129,033)
Cash dividends paid	(1,011,742)	(957,053)
Cost of Treasury Stock	(77,943)	-
Net cash generated from (used in) financing activities	<u>(1,519,075)</u>	<u>(410,475)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(82,433)</u>	<u>(120,924)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	577,962	647,552
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,678,438	4,030,886
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,256,400</u>	<u>\$ 4,678,438</u>

The accompanying notes are an integral part of the parent company only financial statements.

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**  
**(In Thousands of New Taiwan Dollars, Except Stated Otherwise)**

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**1. GENERAL INFORMATION**

Sunonwealth Electric Machine Industry Co., Ltd. (collectively as the “Company”) was incorporated in October 1980. The Company engages mainly in the manufacturing and selling of AC/DC brushless fans, electric fans, motors and related components, and micro cooling fans. The principal operating activities of the Company and its subsidiaries (collectively as the “Group”) are described in Note 4(3). In addition, the Company has no ultimate parent company.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan Dollars.

**2. THE AUTHORIZATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 5, 2026.

**3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

- (1) Effect of adoption of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

New standards, interpretations and amendments endorsed by the FSC and effective from 2025 are as follows:

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” - Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025

The Group has evaluated the aforementioned standards and interpretations, and there is no significant effect on the Group’s financial position and performance.

- (2) Effect of new issuances or amendments to IFRSs as endorsed by the FSC but not yet adopted:

New standards, interpretations and amendments endorsed by the FSC and effective from 2026 are as follows:

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” - Amendments to the Classification and Measurement of Financial Instruments Partial amendments to the Application Guidance on the Classification of Financial Assets	January 1, 2026
Annual Improvements to IFRS Accounting Standards — Volume 11	January 1, 2026

Except as described below, the Group considers that the above standards and interpretations have no material impact on its financial position or financial performance.

A. Amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” - Amendments to the Classification and Measurement of Financial Instruments Partial amendments to the Application Guidance on the Classification of Financial Assets.

- (A) Clarify and add to the application guidance on how to assess whether contractual cash flows of a financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding. The amendments further address the assessment on the contractual cash flow that could change subject to a contingent event, for example, interests linked to an ESG metric, as well as the treatment of non-recourse assets and contractually linked instruments.
- (B) Require additional disclosures for financial instruments with contractual terms that that could change contractual cash flows of a contingent event (including those that are ESG-linked). Disclosures include a qualitative description of the nature of the contingent event, quantitative information about the possible changes to contractual cash flows as well as the gross carrying amount of financial assets and the amortized cost of financial liabilities subject to those contractual terms.
- (C) Clarify that a financial liability is derecognized on the settlement date and describe the accounting treatment for a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if, and only if, the entity has initiated a payment instruction that has resulted in:
  - a. The entity having no practical ability to withdraw, stop or cancel the payment instruction.
  - b. The entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction.
  - c. The settlement risk associated with the electronic payment system being

insignificant.

- (D) Require additional disclosures for equity instruments classified at fair value through other comprehensive income (FVTOCI). It is required to disclose the fair value gain or loss presented in OCI during the reporting period, showing separately the fair value gain or loss that relates to investments derecognized in the reporting period and the fair value gain or loss that relates to investments held at the end of the reporting period. If an entity derecognizes investments in equity instruments measured at FVTOCI during the reporting period, it is now required, under the amendments, to disclose any transfers of the cumulative gain or loss within equity during the reporting period related to the investments derecognized during that reporting period. Also, it is no longer required to disclose the fair value of each equity instruments designated at FVTOCI, this information can be provided by class of instruments.

The Group has evaluated the aforementioned standards and interpretations, and there is no significant effect to the Group's financial position and performance.

- (3) Effect of the IFRSs issued by IASB but not yet endorsed and issued into effect by FSC:

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note )
IFRS 19 "Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures"	January 1, 2027
Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"	January 1, 2027

Note: In its press release on September 25, 2025, the Financial Supervisory Commission announced that publicly listed companies will be required to apply IFRS 18 starting in 2028; additionally, if companies wish to apply IFRS 18 early, they may choose to do so after IFRS 18 has been approved by the Financial Supervisory Commission.

Except as stated below, The Group has assessed that the above standards and interpretations have no significant impact on the Group's financial position and financial performance.

- A. Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendment resolve the difference between IFRS10 and IAS28, Transactions in which investors sell (invest) assets to their affiliated companies or joint ventures. Recognition of the gain or loss from the sale or contribution of assets depends on whether the assets constitute a business.

- (A) The gain or loss resulting from the sale or contribution of assets that constitute a business, between an investor and its associate or joint venture is recognized in full;
  - (B) The partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business.
- B. IFRS 18 “Presentation and Disclosure in Financial Statements”  
IFRS 18 will replace IAS1 and update the structure of the consolidated income statement. Added new disclosures on management performance measurement, and strengthened the aggregation and segmentation principles applied to the main financial statements and notes.
- C. IFRS 19 “Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures”  
IFRS 19 permits eligible subsidiaries to apply reduced disclosure requirements instead of the disclosure requirements in other IFRS Accounting Standards.
- D. Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency ”  
The amendment adds a requirement that when translating amounts from the functional currency of a non-highly inflationary economy to the presentation currency of a highly inflationary economy, all amounts (including comparative amounts) must be translated using the closing rate at the most recent balance sheet date. The amendment also includes an exception for entities whose functional currency and presentation currency are both currencies of highly inflationary economies, and whose foreign operations have a functional currency of a non-highly inflationary economy, exempting them from restating comparative amounts. Additionally, it introduces disclosure of aggregated financial information that includes the translation method and the foreign operations to which that translation method is applied.

As of the date the accompany consolidated financial statements are authorized for issue, the Group is still evaluating the impact on its financial position and financial performance as a result of the initial adoption of the aforementioned standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

#### **4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### **(1) Compliance statement**

The accompanying consolidated financial statements have been prepared in conformity

with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the IFRSs, IASs, interpretations as well as related guidance endorsed by the FSC with the effective dates.

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- a. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- b. Financial assets at fair value through other comprehensive income or loss.
- c. Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- a. All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- b. Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- c. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- d. Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

e. When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss or transferred directly to retained earnings as appropriate, on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. The consolidated entities were as follows:

Investee / Subsidiary	Main Businesses	Percentage of Ownership	
		December 31, 2025	December 31, 2024
1. Sunonwealth Electric Machine Industry Co., Ltd.			
Sunon INC.	Manufacturing and selling of fans	100.00%	100.00%
Sunon SAS.	Manufacturing and selling of fans	100.00%	100.00%
Sunon Corporation	Manufacturing and selling of fans	100.00%	100.00%
Sunonwealth Electric Machine Ind.(H.K.)Ltd.	Manufacturing and selling of fans	99.99%	99.99%
Successful Century Co., Ltd.	Investments	100.00%	100.00%
BVI Sunon International Limited	Investments	100.00%	100.00%
Sunon Electronics India Private Limited	Manufacturing and selling of fans	99.99%	99.99%
Sunon Electronics Philippines Corp.	Manufacturing and selling of fans	99.99%	99.99%
Sunon Properties Philippines Corp.	Real estate development	99.99%	99.99%
Sunon Cooling Technology (Thailand) Co.,Ltd	Manufacture and pin of heat dissipation modules Sales of all kinds of electronics, motors Import and wholesale of components and components	100.00% (refer to B.b.I)	-
2. BVI Sunon International Limited			
Sunon Electronic	General investment and	100.00%	100.00%

Investee / Subsidiary	Main Businesses	Percentage of Ownership	
		December 31, 2025	December 31, 2024
(Foshan) Co., Ltd.	trade		
Sunon Electronic (Bei Hai) Co., Ltd.	Manufacturing and selling of new type electronic parts	100.00%	100.00%
3.Sunon Electronic (Foshan) Co., Ltd.			
Beihai Li Zhun Electronics Co., Ltd.	Manufacturing and selling of fans	66.67%	66.67%
4.Successful Century Co., Ltd.			
Sunon Electronic (Kunshan) Co., Ltd.	Manufacturing and selling of fans	100.00%	100.00%
5.Sunon Electronic (Kunshan) Co., Ltd.			
Beihai Li Zhun Electronics Co., Ltd.	Manufacturing and selling of fans	33.33%	33.33%
Sunon Cooling Technology (Huizhou)Co., Ltd.	Liquid cooling and heat dissipation related products Manufacture and sale of goods	100.00% (refer to B.b.II)	-
6.Sunon SAS			
Sunon Deutschland GmbH	Selling of fans	100.00%	100.00%

a. Some subsidiaries' financial statements contained in the above consolidated financial statements were audited by the other auditors. These subsidiaries' total assets amounted to \$504,928 thousand and \$503,750 thousand, representing 2.90% and 3.36% of the consolidated assets, and their total liabilities amounted to \$273,018 thousand and \$255,170 thousand, representing 3.20% and 3.61% of the consolidated liabilities as of December 31, 2025 and 2024, respectively; their total operating revenues amounted \$648,350 thousand and \$653,426 thousand, representing 3.47% and 4.47% and their total comprehensive income amounted to (\$16,670) thousand and (\$11,103) thousand, representing (0.81%) and (0.67%) of the total comprehensive income for the years ended December 31, 2025 and 2024, respectively.

b. Changes in subsidiaries:

I. The Group established Sunon Cooling Technology (Thailand) Co., Ltd., in March 2025, which was invested by Sunonwealth Electric Machine Industry Co., Ltd. with 100.00% shareholding.

II.The Group established Sunon Cooling Technology (Huizhou) Co., Ltd., in February 2025, which was invested by Sunonwealth Electric Machine Industry Co., Ltd. with 100.00% shareholding.

C. Subsidiaries not included in the consolidated financial reports: None.

- D. Adjustments for subsidiaries with different balance sheet dates: None.
- E. Material restrictions: None.
- F. Contents of the parent company's securities held by subsidiaries: None.
- G. Subsidiaries that have non-controlling interest that are material to the Group: None.

(4) Foreign currency translation

- A. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.
- B. In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.
- C. For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan Dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to noncontrolling interests as appropriate).

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
  - b. Assets held mainly for trading purposes;

- c. Assets that are expected to be realized within twelve months from the balance sheet date;
- d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- a. Liabilities that are expected to be paid off within the normal operating cycle;
- b. Liabilities held mainly for trading purposes;
- c. Liabilities that are to be paid off within twelve months from the balance sheet date (Even if a long-term refinancing or re-arrangement of payment agreements is completed after the balance sheet date and before the issuance of the financial report is approved, it is classified as current liabilities).
- d. The entity on the balance sheet date does not have in substance the right to defer settlement of the liability for at least 12 months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### (6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including the original maturity of the time deposits within three months.)

#### (7) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

##### A. Financial assets

###### a. Category of financial assets

Financial assets are recognized on a trade date basis.

Financial assets are classified into the following categories: financial assets at FVTPL and financial assets at amortized cost.

###### (a) Financial asset at FVTPL

For certain financial assets are classified as at FVTPL when such a financial asset is mandatorily and designated classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not

designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

The Company, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at fair value through profit or loss are measured at fair value, dividends generated are recognized in other income, and interest income and gains or losses arising from remeasurement are recognized in other gains and losses. For the determination of fair value, please refer to Note 12.

(b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b. The contractual terms of the financial assets give rise on specified date to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Except for the following two cases, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

- a. Purchased or originated credit-impaired financial assets: for those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- b. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets: for those financial assets, the Group shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

(c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of

the equity investments, instead, they will be transferred to retained earnings. Dividends on these investments in equity instruments at FVTOCI are recognized in profit or loss when the Company's right to receive the dividends is established, unless the Company's right clearly represent a recovery of part of the cost of the investment

b. Impairment of financial assets

- (a) At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivable and contract assets.
- (b) The Group always recognize lifetime Expected Credit Loss (i.e. ECL) for accounts receivables. For other financial assets, the Group recognize lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equaling to 12-month ECL.
- (c) Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.
- (d) The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

c. Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is meet:

- (a) The contractual rights to receive cash flows from the financial asset expire.
- (b) The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- (c) The Group neither retains nor transfers substantially all risks and rewards of ownership of the financial asset; however, it has not retained control of the financial asset.

On derecognition of financial asset at amortized cost in its entirety, the difference

between the financial asset's carrying amount and the sum of the consideration received is recognized in profit or loss. On derecognition of debt instrument measured at fair value through other comprehensive income, the difference between the financial asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss. On derecognition of equity instruments at fair value through other comprehensive income in its entirety, the cumulative profit and loss will be transferred directly to retained earnings without reclassified into profit and loss.

#### B. Equity instruments

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### C. Financial liabilities

##### a. Subsequent measurement

Except for the following conditions, all financial liabilities are measured at amortized cost in accordance with the effective interest method:

- (a) Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss. Financial liabilities classified as held for trading are mainly for repurchasing in the short term when they occur, and derivatives other than financial guarantee contracts or designated and effective hedging instruments. Financial assets meet one of the following conditions, the Group designates them as measured at fair value through profit and loss at the time of initial recognition:
  - i. It is a mixed (combined) contracts containing at least an embedded derivatives and the host contract is an asset not within the scope of IFRS 9; or
  - ii. It can eliminate or significantly reduce measurement or recognition inconsistencies; or
  - iii. It is an instrument that manages and evaluates its performance on a fair value basis based on written risk management or investment strategies.

##### b. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable (including any non-cash assets transferred or liabilities assumed) is

recognized in profit or loss.

#### D. Modification of Financial Instruments

When the contractual cash flows of a financial instrument are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial instrument, the Group recalculates the gross carrying amount of the financial asset or the amortized cost of the financial liabilities using the original effective interest rate and recognizes a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial instrument and are amortised over the remaining term of the modified financial instrument. If the renegotiation or modification results in that the derecognition of that financial instrument is required, then the financial instrument is derecognized accordingly.

If the basis for determining the contractual cash flows of a financial asset or financial liability changes resulting from interest rate benchmark reform and the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Group applies the practical expedient to account for that change as a change in effective interest rate. If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient aforementioned to the changes required by interest rate benchmark reform, and then applies the applicable requirements to any additional changes to which that practical expedient does not apply.

#### (8) Inventories

Inventories are stated at the lower of cost and net realisable value, accounted for on a perpetual basis. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale.

#### (9) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for under equity method and are initially recognized at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognized in

profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses of its associate equals or exceeds its interest in the associate, including the carrying amount of the investment in the associate determined using the equity method plus the long – term interests that, in substance, form part of the Group's net investment in the associate. The Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- D. In the case where an associate issues new shares and the Group does not subscribe or proportionately acquire the new shares, which results in a change in the Group's ownership percentage of the associate while maintains significant influence on the associate, then "Capital surplus" and "Investments accounted for using under the equity method" shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- E. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognized in profit or loss.
- F. When the Group disposes of its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognized as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(10)Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized. For property, plant and equipment under construction, sample produced from testing whether the asset is functioning properly before its intended use are measured at lower of the costs or net realizable value. Proceeds from selling such an item and the cost of the item are recognized in profit or loss.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in accounting estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

The estimated useful lives as follows:

Buildings:

Main building, 20 to 57 years;

Others, 2 to 39 years;

Machinery and equipment, 2 to 15 years;

Other equipment, 1 to 20 years;

Leasehold improvement, 1 to 22 years;

- D. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(11)Leases/The Group as a lessee

The Group assesses whether the contract is (or includes) a lease at the date of the contract. For a contract that includes a lease component and one or more additional lease or non-lease components, the Group will allocate the consideration to the lease component base on the individual price of each lease component and the aggregated

individual price of the non-lease component.

Except for payments for low-value asset and short-term leases which will be recognized as expenses on a straight-line basis, the Group will recognize right-of-use assets and lease liabilities for all leases at the inception of lease.

#### Right-of-use asset

The right-of-use asset is initially measured at cost (including the initial measurement amount of the lease liability, the payments less incentives, initial direct costs and the estimated recover cost), the subsequent measurement is based on the cost less accumulated depreciation and accumulated impairment loss, and adjusting the amount of re-measures of lease liabilities.

The right-of-use asset recognized depreciation is using the straight-line basis from the date of the lease until the expiration of the useful life or the expiration of the lease term, the depreciation is provided that the title of the underlying asset will be acquired at the end of the lease period or, if the cost of the right-of-use asset reflects the execution of the purchase option.

#### Lease liability

The lease liability is initially measured by the present value of the lease payment (including fixed payment, substantive fixed payment, change in lease payment depending on the index or rate, etc.). If the implied interest rate on the lease is easy to determine, the lease payment is discounted using that interest rate. If the interest rate is not easy to determine, the lessee's increase borrowing rate is used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. If the lease period, the evaluation of the purchase choice, the amount of expected to be paid under the residual value guarantee or the change in the index or rate used to determine the lease payment result in a change in the future lease payment, the Group will measure the lease liability and adjust the right to use assets relatively. If the carrying amount has been reduced to zero, the remaining amount will recognize in the profit and loss. Lease liabilities are presented in a single-line project on the consolidated balance sheet.

#### (12) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

Investment properties in the course of construction are stated at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for

capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(13) Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over the following estimated lives: computer software - 1 to 15 years; trademarks are the economic benefit or contract period. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets are derecognized when disposed of or expected to have no future economic benefits generated through usage or disposal. On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(14) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

(15) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses.

(16) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

## B. Pensions

### a. Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

### b. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.

(b) Actuarial gains and losses arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

(c) Past service costs are recognized immediately in profit or loss.

## C. Employees' bonus and directors' remuneration

Employees' bonus and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' remuneration are different from the actual distributed amounts as resolved by the shareholders at their shareholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

## D. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet

date shall be discounted to their present value.

(17) Share capital and treasury shares

A. Share capital

Ordinary share is classified as equity. The classification of the preferred stock depends on the essence of the agreement. If the preferred stock matches the definition of the financial liability, it is classified as a liability. Otherwise, it is classified as equity. Incremental cost that can be attributed to the issuance of stocks or options is deducted from the capital issued.

B. Treasury Shares

When the Group acquires its outstanding shares, the repurchase considerations (including all directly accountable costs) are recognized under treasury shares and shown as a deduction in equity. Gains on disposal of treasury shares should be recognized under “capital surplus - treasury stock transactions”; losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there is insufficient capital surplus to offset the losses, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted-average method for the purpose of repurchased shares.

When the Group’s treasury shares are retired, the treasury share account should be credited, and the capital surplus - premium on stock account and capital stock account should be debited proportionately according to the share ratio. The carrying value of treasury shares in excess of the sum of its par value and premium on stock should first be offset against capital surplus from similar types of treasury share transactions, and the remainder, if any, debited to retained earnings. The sum of the par value and premium on treasury shares in excess of its carrying value should be credited to capital surplus from similar types of treasury share transactions.

(18) Share-based payment transactions

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognized is based on the number of equity instruments that eventually vest.

B. Cash-settle share-based payment arrangements are the fair value of liabilities undertaken recognized in remuneration costs and liabilities in the vesting period and

measured by the fair value of equity instruments offered at each balance sheet date and the settlement date. Any changes are recognized in profit or loss.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity, respectively.
- B. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the subsequent year when the stockholders resolve to distribute retain the earnings.
- C. Deferred income tax is recognized, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and it does not give rise to equal deductible and taxable temporary differences at the time of transaction. And it does not give rise to equal deductible and taxable temporary differences at the time of transaction. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
- D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax

assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. Tax preference given for expenditures incurred on acquisitions of equipment or technology, research and development, employees training and equity investments is recorded using the income tax credits accounting.

## (20) Revenue Recognition

The Group recognizes revenues based on the following steps:

1. Identifying the contracts;
2. Identifying obligations in the contracts;
3. Determining prices;
4. Allocating prices into the obligations in the contracts;
5. Recognizing revenues while fulfilling the obligations.

The Group identify the contract with the customers, allocate the transaction price to the performance obligations, and recognize revenue when performance obligations are satisfied.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

### 1. Goods sales

The Group sells fans and other relevant products. Sales revenues are recognized while the control of goods is transferred to the customers since the customers already have the rights to use, set price, take the major responsibility to resell the good and bear the risk of obsolescence. The Group recognizes revenues and accounts receivable at the point and presents it in net term after deducting sales return, quantity discount and sales allowance.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

### 2. Service revenue

Revenue from technical services is recognized when services are provided that in accordance with the relevant agreements.

## (21) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for

capitalization.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

(22) Government Subsidy

Government subsidies are recognized at fair value when it is reasonably certain that the Group will comply with the conditions attached to the government subsidies and will receive such subsidies.

Government subsidies are recognized in profit and loss on a systematic basis during the period when the relevant costs that they intend to compensate are recognized as expenses by the company. If government subsidy is used to compensate for expenses or losses that have occurred, or for the purpose of providing the Company with immediate financial support and there is no future related cost, it is recognized in the profit and loss during the period when it can be received. Government subsidies related to property, plant and equipment are recognized as non-current liabilities, and recognized as profits and losses on a straight-line basis based on the estimated useful life of the relevant assets.

## **5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY**

The preparation of the Group's consolidated financial statements is adopting accounting policies based on the following significant judgements, significant accounting estimates and assumptions:

(1) Critical judgements in applying accounting policies

A. Judgment of financial asset classification

The Group assesses the business model of financial assets based on the hierarchy that reflects the Group of financial assets that are jointly managed for specific business purposes. This assessment requires consideration of all relevant evidence, including measures of asset performance, risks affecting performance, and the manner in which the relevant managers are determined, and judgments are required. The Group continues to assess the adequacy of its business model and monitors the financial assets measured by the amortized cost before the maturity date and the debt instrument investments measured at fair value through other comprehensive income. Evaluate whether the disciplinary action has the same goal of business model. If the business model has been changed, the Group delays the adjustment of the subsequent classification of financial assets. The Group reclassifies financial assets in accordance with IFRS 9, and the application will be postponed from the date of reclassification, if the business model has changed.

B. Revenue recognition

The Group follows IFRS 15 to determine if it controls the specified good or service

before that good or service is transferred to the customer, and the Group is acting as a principal or an agent in that transaction. When the Group acts as an agent, revenue is recognized on a net basis.

The Group acts as a principal as that it meets one the of following situations:

- a. The Group gains control over the goods from the other party before transferring goods to customers.
- b. The Group controls the right of providing service by the other party in order to control the ability of the party to provide service to customers.
- c. The Group gain control over goods or service from the other party in order to combine with other goods or services to provide specific goods or services to customers.

The indicators (not limited to) which assist making judgment on whether the Group controls the goods or services before transferring goods or services to customers:

- a. The Group has primary responsibilities for the goods or services it provides;
- b. The Group bears inventory risk before transferring the specific goods or services to customer, or after transferring the control to customer.
- c. The Group has the discretion to set prices.

#### C. Lease term

In determining the lease term, the Group considers all the facts and circumstances that create an economic incentive to exercise (or not exercise) the option, including any expected change in facts and circumstances from the commencement date until the exercise date of the option. Main Factors considered include the contractual terms and conditions for the period covered by the option, the significant leasehold improvements made (or expected) during the contract period, and the importance of the underlying assets to the Group's operations, etc. The lease term is reassessed if a significant change in circumstance that are within the control of the Group occurs.

### (2) Critical accounting estimates and assumptions

#### A. Revenue Recognition

The Group recognizes records a refund for estimated future returns and other allowances in the same period the related revenue is recorded. Refund for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

#### B. Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates

at the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

C. Process of fair value measurement and evaluation

When the assets and liabilities at fair value with no active market, the Group determines whether to use outside appraisal and using proper evaluation techniques based on related regulation or its own judgment. If the Level 1 input value is not available while evaluating, the Group refers to the analysis of the investee's financial position and operating outcome, recent trading price, quotes on non-active market of same equity instrument, quotes on active market of similar equity instrument and evaluation multiples of comparable companies. If the future input value is different from expectation, the fair value might change. The Group updates input values quarterly according to the market status in order to monitor if the measurement of fair value is appropriate.

D. Impairment assessment of tangible and intangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

E. Impairment assessment on investment using equity method

The Group assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value cannot be recoverable. The Group assesses the recoverable amount based on a projected future cash flow and receivable cash dividend of the investees, and disposal-generating future cash flow to ensure the reasonableness of such assumptions.

F. Realisability of deferred income tax assets

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, laws, and regulations might cause material adjustments to deferred income tax assets.

G. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must

determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value.

#### H. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgments and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

#### I. Lessees' incremental borrowing rates

At the time of the decision to increase the borrowing rate of the lessee used in the lease payment, the risk-free interest rate and the same currency is used as the reference rate, and the estimated lessee's credit risk sticker and lease specific adjustments (such as asset-specific and secured factors) are taken into account.

## 6. CONTENTS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

Item	December 31	
	2025	2024
Cash on hand	\$849	\$1,093
Cash in banks	4,606,3009	3,678,647
Cash equivalent		
Short term notes with original maturities within three months	649,242	998,698
Total	\$5,256,400	\$4,678,438

A. The financial institutions dealing with the Group are credit worthy, and the Group does transactions with a number of financial institutions to diversify credit risk that are unlikely to be expected to default.

B. The Group had no cash and cash equivalents pledged to others.

### (2) Notes receivable, net

Item	December 31	
	2025	2024
At amortized cost		
Notes receivable	\$62,127	\$5,773
Less: Loss allowance	(24)	(24)
Net	\$62,103	\$5,749

- A. The Group had no notes receivable pledged to others.
- B. Please refer to Note 6(3) for the relevant disclosure of loss allowance for notes receivable.

**(3) Accounts receivable, net**

Item	December 31	
	2025	2024
At amortized cost		
Accounts receivable	\$5,172,739	\$4,109,135
Less: Loss allowance	(17,388)	(12,107)
Net	<u>\$5,155,351</u>	<u>\$4,097,028</u>

- A. The accounts receivable that were neither past due nor impaired was following the Group's credit policy determined by reference to the industry characteristics, operation scale and current financial position of the counterparties. The average credit period on sales of goods was 2-4 months.
- B. The Group had no account receivable pledged to others.
- C. To reduce major credit risk, the Group bought credit guarantee insurance.
- D. The Group applies the simplified approach to provisions for expected credit losses, which permits the use of a lifetime expected credit losses provision for trade receivables (including other receivables). The expected credit losses on trade receivables are estimated by reference to preparation matrix, past account aging records of the debtor, an analysis of the debtor's current financial position, and industrial trend. The group recognizes loss allowance based on the expected credit loss ratio of customers by different risk levels with consideration of factors of historical loss ratios and customers' financial conditions, competitiveness and business outlook.
- E. The Group measures the loss allowance for notes receivable and accounts receivable (including other receivables) according to the preparation matrix:

December 31, 2025	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Not past due	0.05%-5%	\$5,086,444	(\$16,034)	\$5,070,410
Past due within 30 days	0.05%-5%	302,376	(831)	301,545
Past due 31-90 days	0.05%-5%	36,750	(247)	36,503
Past due over 91 days	0.05%-5%	4,347	(300)	4,047
Total		<u>\$5,429,917</u>	<u>(\$17,412)</u>	<u>\$5,412,505</u>

December 31, 2024	Expected Credit Loss Rate	Gross Carrying Amount	Loss Allowance (Lifetime ECL)	Amortized Cost
Not past due	0.05%-5%	\$4,059,669	(\$11,327)	\$4,048,342
Past due within 30 days	0.05%-5%	182,451	(471)	181,980
Past due 31-90 days	0.05%-5%	16,768	(235)	16,533
Past due over 91 days	0.05%-5%	524	(98)	426
Total		\$4,259,412	(\$12,131)	\$4,247,281

F. Movements of the loss allowance for notes and accounts receivable were as follows:

	Year Ended December 31	
	2025	2024
Beginning balance	\$12,131	\$8,471
Add: Provision for impairment	5,324	3,498
Less: Foreign exchange differences	(43)	162
Ending balance	\$17,412	\$12,131

The above provision has already taken into consideration of collateral or other credit enhancement. The other credit enhancement possessed by above receivables were \$1,752,864 thousand, \$1,648,891 thousand as of December 31, 2025 and 2024, respectively.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss. The Group's trade receivables for offsetting the contract amount are both \$0 thousand for the years ended December 31, 2025 and 2024, respectively.

G. Please refer to Note 12 for the relevant credit risk management and assessment method.'

#### (4) Inventories and operating costs

Item	December 31	
	2025	2024
Raw materials	\$793,623	\$660,396
Supplies	35,650	24,253
Work in process	341,333	256,323
Finished goods	1,253,370	1,239,942
Net	\$2,423,976	\$2,180,914

A. The related inventory gain (loss) recognized as operating cost for the years ended December 31, 2025 and 2024 were as follows:

Item	Year Ended December 31	
	2025	2024
Cost of goods sold	\$12,770,957	\$10,323,110
Unallocated overheads and labor cost	99,340	89,179
Loss (Gain) on inventory valuation	7,696	(16,502)
Others	(1,571)	71,331
Total	\$12,876,422	\$10,467,118

B. The Group recognized inventory valuation loss (gain) \$7,696 thousand and (\$16,502) thousand for the years ended December 31, 2025 and 2024, respectively, as a result of inventory's write-down to net realizable value or increasing price of some products and decreasing part of inventory.

C. The Group had no inventories pledged to others.

**(5) Other financial assets – current**

Item	Year Ended December 31	
	2025	2024
Time deposits with maturities of more than three months	\$ -	\$228,041

**(6) Financial assets at fair value through profit or loss - noncurrent**

Item	December 31	
	2025	2024
Non-derivative financial assets - noncurrent		
Convertible bonds	\$ -	\$173,170

A. The Group recognized net gain of financial assets at fair value through profit or loss of (\$173,170) thousand and \$12,920 thousand for the years ended December 31, 2025 and 2024, respectively.

B. The Group had no financial assets at fair value through profit or loss pledged to others.

**(7) Financial assets at fair value through other comprehensive income or loss - noncurrent**

Item	Year Ended December 31	
	2025	2024
Equity instruments		
Unlisted stocks	\$30,095	\$31,549

- A. The Group invests in domestic unlisted stocks in accordance with its medium/long-term strategies and expects to make a profit through long-term investment. Management of the Group believes that it is not consistent with the afore-mentioned long-term investment planning if the short-term fair value changes of such investment are presented in profit or loss. Therefore, the Group elects to designate such investment as to be measured at FVTOCI.
- B. Please refer to Note 12 for relevant credit risk management and assessment methods.
- C. The financial assets at FVTOCI were not pledged as collateral.

**(8) Investments accounted for using equity method**

Item	December 31	
	2025	2024
Associates:		
Associates without significance	\$42,561	\$17,676

A. Associates:

Shares of individually insignificant associates of the Group are summarized as follows:

	Year Ended December 31	
	2025	2024
Share of:		
Net loss	(\$4,083)	(\$6,590)
Other comprehensive income (loss) (net after tax)	-	-
Total comprehensive loss	(\$4,083)	(\$6,590)

- B. All the investments accounted for using equity method and the Group's share of profit or loss and other comprehensive income in the investees are calculated based on the unaudited financial statements.

**(9) Property, plant and equipment**

Item	December 31	
	2025	2024
Land	\$820,335	\$820,335
Buildings	546,406	571,866
Machinery and equipment	1,665,618	1,307,669
Miscellaneous equipment	895,806	764,728

Leasehold improvements	382,105	359,569
Equipment to be inspected and construction in progress	497,675	145,782
Total cost	<u>\$4,807,945</u>	<u>\$3,969,949</u>
Less: Accumulated depreciation and impairment	<u>(1,754,407)</u>	<u>(1,509,252)</u>
Carrying amount	<u><u>\$3,053,538</u></u>	<u><u>\$2,460,697</u></u>

	Land	Buildings	Machinery and Equipment	Miscellaneous equipment	Leasehold improvement	Equipment to be Inspected and Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2025	\$820,335	\$571,866	\$1,307,669	\$764,728	\$359,569	\$145,782	\$3,969,949
Additions	-	1,901	118,289	83,725	7,454	785,847	997,216
Disposals	-	(20,739)	(61,186)	(31,483)	(1,618)	-	(115,026)
Reclassification	-	403	310,391	86,319	23,700	(420,813)	-
Transfer to expenses	-	-	-	-	-	(5,001)	(5,001)
Transfer to prepayments	-	-	-	-	-	(202)	(202)
Effect of foreign currency exchange difference	-	(7,025)	(9,545)	(7,483)	(7,000)	(7,938)	(38,991)
Balance at December 31, 2025	<u>\$820,335</u>	<u>\$546,406</u>	<u>\$1,665,618</u>	<u>\$895,806</u>	<u>\$382,105</u>	<u>\$497,675</u>	<u>\$4,807,945</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2025	\$ -	\$288,669	\$562,545	\$413,334	\$244,704	\$ -	\$1,509,252
Depreciation	-	15,690	194,441	110,338	40,141	-	360,610
Disposals	-	(19,876)	(59,393)	(28,120)	(950)	-	(108,339)
Reclassification	-	-	-	-	-	-	-
Effect of foreign currency exchange difference	-	(3,367)	1,896	(1,519)	(4,126)	-	(7,116)
Balance at December 31, 2025	<u>\$ -</u>	<u>\$281,116</u>	<u>\$699,489</u>	<u>\$494,033</u>	<u>\$279,769</u>	<u>\$ -</u>	<u>\$1,754,407</u>

	Land	Buildings	Machinery and Equipment	Miscellaneous Equipment	Leasehold Improvement	Equipment to be Inspected and Construction in Progress	Total
<u>Cost</u>							
Balance at January 1, 2024	\$820,335	\$472,542	\$1,113,619	\$656,536	\$328,876	\$54,465	\$3,446,373
Additions	-	693	102,627	78,234	7,251	376,226	565,031
Disposals	-	(112)	(109,773)	(57,015)	-	-	(166,900)
Reclassification	-	84,647	138,090	55,951	8,955	(287,643)	-
Transfer to expenses	-	-	-	-	-	(179)	(179)
Transfer to prepayments	-	-	-	-	-	(77)	(77)
Transfer to other noncurrent assets	-	-	-	-	-	(530)	(530)
Effect of foreign currency exchange difference	-	14,096	63,106	31,022	14,487	3,520	126,231
Balance at December 31, 2024	<u>\$820,335</u>	<u>\$571,866</u>	<u>\$1,307,669</u>	<u>\$764,728</u>	<u>\$359,569</u>	<u>\$145,782</u>	<u>\$3,969,949</u>

Accumulated depreciation and impairment									
Balance at January 1, 2024	\$	-	\$267,581	\$448,774	\$363,847	\$194,707	\$	-	\$1,274,909
Depreciation		-	12,932	183,998	87,248	41,670		-	325,848
Disposals		-	(112)	(99,525)	(56,316)	-		-	(155,953)
Reclassification		-	-	(884)	884	-		-	-
Effect of foreign currency exchange difference		-	8,268	30,182	17,671	8,327		-	64,448
Balance at December 31, 2024	\$	-	\$288,669	\$562,545	\$413,334	\$244,704	\$	-	\$1,509,252

A. The details of interest capitalized: None.

B. The Group did not assess the impairment because there is no sign of impairment for the year ended December 31, 2025.

C. Property, plant and equipment pledged for the borrowings: Please refer to Note 8.

D. Reconciliations of current additions and the acquisition of property, plant and equipment in statement of cash flows were as follows:

Item	Year Ended December 31	
	2025	2024
Acquisition of property, plant and equipment	\$997,216	\$565,031
Decrease (increase) in equipment payable	(44,067)	(52,014)
Cash paid for acquisition of property, plant and equipment	\$953,149	\$513,017

## (10) Lease agreement

### A. Right-of-use assets

Item	December 31	
	2025	2024
Land use right	\$437,920	\$460,304
Land and building	641,799	433,279
Other equipment	37,797	30,008
Total cost	\$1,117,516	\$923,591
Less: Accumulated depreciation and impairment	(380,238)	(306,301)
Net	\$737,278	\$617,290

Cost	Land Use Right	Land and Buildings	Other Equipment	Total
Balance at January 1, 2025	\$460,304	\$433,279	\$30,008	\$923,591
Additions	-	229,519	21,753	251,272
Disposals	-	(4,801)	(1,900)	(6,701)
Derecognition	-	(11,202)	(12,312)	(23,514)
Effect of foreign currency exchange difference	(22,384)	(4,996)	248	(27,132)
Balance at December 31, 2025	\$437,920	\$641,799	\$37,797	\$1,117,516
<u>Accumulated Depreciation and Impairment</u>				
Balance at January 1, 2025	\$27,052	\$262,068	\$17,181	\$306,301
Depreciation	7,288	87,150	8,461	102,899
Derecognition	-	(11,202)	(12,312)	(23,514)
Effect of foreign currency exchange difference	(1,312)	(4,161)	25	(5,448)
Balance at December 31, 2025	\$33,028	\$333,855	\$13,355	\$380,238
Cost	Land Use Right	Land and Buildings	Other Equipment	Total
Balance at January 1, 2024	\$397,081	\$449,162	\$26,456	\$872,699
Additions	53,100	61,832	8,385	123,317
Disposals	-	(27,844)	-	(27,844)
Derecognition	-	(67,594)	(5,348)	(72,942)
Effect of foreign currency exchange difference	10,123	17,723	515	28,361
Balance at December 31, 2024	\$460,304	\$433,279	\$30,008	\$923,591
<u>Accumulated Depreciation and Impairment</u>				
Balance at January 1, 2024	\$19,815	\$247,376	\$14,794	\$281,985
Depreciation	6,643	72,636	7,412	86,691
Derecognition	-	(67,594)	(5,348)	(72,942)
Effect of foreign currency exchange difference	594	9,650	323	10,567
Balance at December 31, 2024	\$27,052	\$262,068	\$17,181	\$306,301

## B. Lease liabilities

Item	December 31	
	2025	2024
Carrying amount of lease liabilities		
- current	\$81,393	\$82,041
- noncurrent	\$259,304	\$113,168

Ranges of discount rates for lease liabilities are as follows:

Item	December 31	
	2025	2024
Land and buildings	0.63%-7.21%	0.63%-7.21%
Other equipment	0.73%-6.09%	0.73%-6.09%

Please refer to Note 12(2) for lease liabilities with repayment periods.

## C. Material lease-in activities and terms

The Group leased some land and buildings, etc. as factory, with the lease terms of 3 to 75 years. There is no sign of impairment of right-of-use assets as of December 31, 2025. Therefore, the Group didn't assess the impairment.

## D. Sublet: None.

## E. Other lease information:

a. Please refer to Note 6(11) for the agreement to lease investment properties under operating lease.

b. The current lease relevant expense information is as follows:

Item	Years Ended December 31	
	2025	2024
Short-term lease expense	\$23,983	\$12,781
Low-value asset lease expense	\$223	\$264
Variable lease payments that excluded in the measurement of lease liabilities	\$797	\$373
Total cash outflow for leases (Note)	(\$124,086)	(\$142,451)

(Note): Including principle paid for current lease liabilities.

**(11) Investment properties, net**

Item	December 31		
	2025	2024	
Land	\$77,109	\$77,109	
Buildings	40,062	40,062	
Total cost	\$117,171	\$117,171	
Less: Accumulated depreciation and impairment	(33,167)	(32,800)	
Net	\$84,004	\$84,371	

Cost	Land	Buildings	Total
Balance at January 1, 2025	\$77,109	\$40,062	\$117,171
Additions	-	-	-
Balance at December 31, 2025	\$77,109	\$40,062	\$117,171
Accumulated Depreciation and Impairment			
Balance at January 1, 2025	\$ -	\$32,800	\$32,800
Depreciation	-	367	367
Balance at December 31, 2025	\$ -	\$33,167	\$33,167

Cost	Land	Buildings	Total
Balance at January 1, 2024	\$77,109	\$40,062	\$117,171
Additions	-	-	-
Balance at December 31, 2024	\$77,109	\$40,062	\$117,171
Accumulated Depreciation and Impairment			
Balance at January 1, 2024	\$ -	\$32,433	\$32,433
Depreciation	-	367	367
Balance at December 31, 2024	\$ -	\$32,800	\$32,800

**A. Rental income and direct operating expenses of investment properties:**

Item	Year Ended December 31	
	2025	2024
Rental income of investment properties	\$1,921	\$1,921
Direct operating expense incurred for the investment properties with current rent income	\$633	\$635

B. The maturity analysis of operating lease payments receivable for investment properties is as follows:

	December 31	
	2025	2024
Year 1	\$1,921	\$1,921
Year 2	1,921	1,750
Year 3	171	1,750
Year 4	171	-
Year 5	171	-
Over 5 years	171	-
Total	<u>\$4,526</u>	<u>\$5,421</u>

C. Investment properties are depreciated on a straight-line basis over their estimated useful life of 10 to 57 years.

D. The fair values of investment properties held by the Group were 167,356 thousand and 168,677 thousand as of December 31, 2025 and 2024, respectively. The fair value determination was performed by independent qualified professional appraisers. The valuation was based on the comparison method, and the fair value was measured by using Level 3 inputs. Please refer to Note 12(3).

E. As there were no indications of impairment in 2025, the Group did not perform an impairment assessment

F. The Group had no investment properties pledged to others.

## (12) Intangible assets

Item	December 31	
	2025	2024
Trademark	\$8,573	\$8,808
Computer software	95,866	81,563
Total cost	\$104,439	\$90,371
Less: Accumulated amortization	(41,763)	(37,160)
Net	<u>\$62,676</u>	<u>\$53,211</u>

<u>Cost</u>	<u>Trademark</u>	<u>Computer Software</u>	<u>Total</u>
Balance at January 1, 2025	\$8,808	\$81,563	\$90,371
Additions	-	43,705	43,705
Derecognition	-	(29,019)	(29,019)
Effect of foreign exchange	(235)	(383)	(618)
Difference			
Balance at December 31, 2025	<u>\$8,573</u>	<u>\$95,866</u>	<u>\$104,439</u>
Accumulated amortization and impairment			
Balance at January 1, 2025	\$ -	\$37,160	\$37,160
Amortization	-	33,856	33,856
Derecognition	-	(29,019)	(29,019)
Effect of foreign exchange	-	(234)	(234)
Difference			
Balance at December 31, 2025	<u>\$ -</u>	<u>\$41,763</u>	<u>\$41,763</u>
<u>Cost</u>	<u>Trademark</u>	<u>Computer Software</u>	<u>Total</u>
Balance at January 1, 2024	\$8,447	\$38,693	\$47,140
Additions	-	58,287	58,287
Derecognition	-	(15,994)	(15,994)
Effect of foreign exchange	361	577	938
Difference			
Balance at December 31, 2024	<u>\$8,808</u>	<u>\$81,563</u>	<u>\$90,371</u>
Accumulated amortization and impairment			
Balance at January 1, 2024	\$ -	\$23,184	\$23,184
Amortization	-	29,617	29,617
Derecognition	-	(15,994)	(15,994)
Effect of foreign exchange	-	353	353
Difference			
Balance at December 31, 2024	<u>\$ -</u>	<u>\$37,160</u>	<u>\$37,160</u>

**(13) Short-term loans**

December 31, 2025		
Borrowings Nature	Amount	Interest
Unsecured loan	\$469,518	2.11%-2.55%

December 31, 2024		
Borrowings Nature	Amount	Interest
Unsecured loan	\$927,601	1.20%-2.70%

**(14) Other payables**

December 31		
Item	2025	2024
Accrued payroll	\$551,547	\$444,277
Service fee payable	14,913	16,215
R & D payable	63,700	64,757
Bonus to employees and remuneration to directors	94,000	55,000
Equipment payable	131,231	87,164
Others	598,578	484,786
Total	\$1,453,969	\$1,152,199

**(15) Provisions - current**

December 31		
Item	2025	2024
Employee benefits	\$68,346	\$61,697

Year Ended December 31		
Item	2025	2024
Beginning balance	\$61,697	\$52,467
Provisions recognized	7,450	7,740
Reversing balances	(607)	(113)
Effect of foreign exchange difference	(194)	1,603
Ending balance	\$68,346	\$61,697

Provision for employee benefits represents vested short-term service leave entitlements accrued.

## (16) Long-term loans and current portion of long-term loans

Item	December 31	
	2025	2024
Unsecured loans	\$729,034	\$600,759
Less: portion due within one year	(116,534)	(122,333)
Long-term loans	\$612,500	\$478,426
Interest rates	0.75%-5.75%	0.75%-6.61%

Refer to Note 8 for assets pledged as collateral for long-term loans.

## (17) Pension

### A. Defined contribution plans

- a. The plan under the Labor Pension Act (the “Act”) is deemed a defined contribution plan. Pursuant to the Group has made monthly contributions equal to 6% of each employee’s monthly salary to employees’ pension accounts.
- b. The employees of the Group’s subsidiaries are members of a state-managed retirement benefit plan operated by local government. The subsidiary is required to contribute amounts calculated at a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions to the fund.
- c. The total expenses recognized in the consolidated statement of comprehensive income were \$190,542 thousand and \$191,786 thousand, representing the contributions payable to these plans by the Group at the rates specified in the plans for the years ended December 31, 2025 and 2024, respectively.

### B. Defined benefit plans

- a. The Company have defined benefit plans under the Labor Standards Law that provide benefits based on an employee’s length of service and average monthly salary for the six-month period prior to retirement. The aforementioned companies contribute an amount equal to 2% of salaries paid each month to their respective pension funds (the Funds), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee’s name in the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the companies are required to fund the difference in one appropriation that should be made before the end of March of the next year. The Funds are operated and managed by the government’s designated authorities; as such, the Group does not have any right to intervene in the investments of the Funds.

b. The amounts arising from the defined benefit obligation of the Group in the consolidated balance sheets were as follows:

Item	December 31	
	2025	2024
Present value of defined benefit obligation	\$72,108	\$69,737
Fair value of plan assets	(58,429)	(51,589)
Net defined benefit liabilities	\$13,679	\$18,148

A. Movements of the net defined benefit liabilities were as follows:

Item	Year Ended December 31, 2025		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$69,737	(\$51,589)	\$18,148
Service cost			
Current service cost	-	-	-
Interest expense (income)	1,046	(828)	218
Past service cost	-	-	-
Settlement loss (income)	-	-	-
Recognized in profit or loss	\$1,046	(\$828)	\$218
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$3,376)	(\$3,376)
Actuarial loss (gain) -			
Changes in demographics assumptions	-	-	-
Changes in financial assumptions	1,770	-	1,770
Experience adjustments	3,519	-	3,519
Recognized in other comprehensive income	\$5,289	(\$3,376)	\$1,913
Contributions from the employer	\$ -	(\$6,600)	(\$6,600)
Benefits paid from plan assets	(3,964)	3,964	-
Balance at December 31	\$72,108	(\$58,429)	\$13,679

Item	Year Ended December 31, 2024		
	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liabilities
Balance at January 1	\$74,208	(\$45,477)	\$28,731
Service cost			
Current service cost	-	-	-
Interest expense (income)	1,021	(675)	346
Past service cost	-	-	-
Settlement loss (income)	-	-	-
Recognized in profit or loss	\$1,021	(\$675)	\$346
Remeasurement			
Return on plan assets (excluding amounts included in net interest expense)	\$ -	(\$3,601)	(\$3,601)
Actuarial loss (gain) -			
Changes in demographics assumptions	-	-	-
Changes in financial assumptions	(924)	-	(924)
Experience adjustments	811	-	811
Recognized in other comprehensive income	(\$113)	(\$3,601)	(\$3,714)
Contributions from the employer	(\$5,364)	(\$7,200)	(\$12,564)
Benefits paid from plan assets	(15)	5,364	5,349
Balance at December 31	\$69,737	(\$51,589)	\$18,148

D. Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

a. Investment risk

The pension funds are invested in equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the government's designated authorities or under the mandated management. However, under the Labor Standards Law, the rate of return on assets shall not be less than the average interest rate on a two-year time deposit published by the local banks and the government is responsible for any shortfall in the event that the rate of return is less than the required rate of return.

b. Interest risk

A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

c. Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

- E. The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	Measurement Date	
	December 31, 2025	December 31, 2024
Discount rate	1.250%	1.500%
Future salary increase rate	2%	2%
The weighted average duration of the defined benefit obligation	10 years	10.5 years

(a) Assumptions regarding future mortality experience are set based on actuarial valuation in accordance with the 6th version of Taiwan Standard Ordinary Experience Mortality Tables.

(b) If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

Item	December 31	
	2025	2024
Discount Rate		
0.25% higher	(\$1,770)	(\$1,799)
0.25% lower	\$1,830	\$1,864
Expected rates of salary increase		
0.25% higher	\$1,784	\$1,819
0.25% lower	(\$1,734)	(\$1,765)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

- F. The Group expects to make contributions of \$6,000 thousand to the defined benefit plans for the year ended December 31, 2026.

## (18) Share capital

A. Movements in the number of the Group's ordinary shares outstanding were as follows:

Item	Year Ended December 31, 2025	
	Shares (in thousands)	Amount
Balance at January 1	273,444	\$2,734,437
Capital increase in cash	-	-
Conversion of bonds payable	-	-
Balance at December 31	273,444	\$2,734,437

Item	Year Ended December 31, 2024	
	Shares (in thousands)	Amount
Balance at January 1	272,525	\$2,725,243
Capital increase in cash	-	-
Conversion of bonds payable	919	9,194
Balance at December 31	273,444	\$2,734,437

B. As of December 31, 2025, the authorized capital are \$5,000,000 thousand, consisting of 500,000 thousand shares.

C. While 9,194 thousand was recorded as bond conversion entitlement certificates have completed the registration in February 2024.

## (19) Capital surplus

Item	December 31	
	2025	2024
From merger	\$18,227	\$18,227
From convertible bonds	1,477,900	1,477,900
Treasury share transactions	21,464	21,464
Reorganization	1,050	1,050
Differences between considerations and carrying amounts of subsidiaries acquired or disposed	147	147
Total	\$1,518,788	\$1,518,788

Under the Company Act, the capital surplus generated from the excess of the issuance price over the par value of capital stock and donations can be used to offset deficit or may be distributed as stock dividends or in cash. Under the regulations of the Security Exchange Law, the maximum amount transferred from the foregoing capital surplus to the Company's capital per year shall not be over 10% of the Company's paid-in capital. Capital surplus can't be used to offset deficit unless legal reserve is insufficient. The capital surplus from long-term investments may not be used for any purpose.

## (20) Retained earnings and dividend policy

- (1) In accordance with the dividend policy as set forth in the Company's Articles of Incorporation, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the regulations, and the remainder plus prior year's unappropriated earnings will be recommended by the board of directors and approved through the shareholders' meeting.

In consideration of its operation and capital expenditure demands, the Company stipulates appropriate dividend distribution ratio, and proposes for approval in the shareholders' meeting. However, at least 20% of total dividends should be distributed in cash.

- (2) Legal reserve may be used to offset a deficit, and be transferred to capital or distributed in cash. However, legal reserve can be transferred to capital or distributed in cash only when the legal reserve has exceeded 25% of the Company's paid-in capital.

- (3) Special reserve

Item	December 31, 2025	December 31, 2024
Provision for the debit balance of other equity	\$57,507	\$221,030
Provision for initial application of IAS	79,155	79,155
Total	\$136,662	\$300,185

A. While earning distribution, the earnings can be distributed after appropriation of the equivalent amount of the debit balance of the other equities of the balance sheet.

B. Under Rule No.1010012865 issued by the FSC for first-time adoption of IFRS, the special reserve can be reversed while usage, disposal and reclassification of related assets.

- (4) The appropriation of 2024 and 2023 earnings have been approved by at the shareholders' meeting held in May 2025 and June 2024, respectively. Details were summarized below:

Item	Amount		Dividends Per Share	
	2024	2023	2024	2023
Legal reserve	\$149,507	\$133,407		
Special reserve	(163,523)	42,428		
Cash dividends	1,011,742	957,053	3.7	3.5
Total	\$997,726	\$1,132,888		

- (5) The appropriation of 2025 earnings had been proposed by the board of directors on March 5, 2026. Details were summarized below:

Item	Amount	Dividends Per Share
Legal reserve	\$216,417	
Special reserve	107,659	
Cash dividends	1,498,968	5.5

- A. The appropriation of earnings for 2025 are to be presented for approval in the shareholders' meeting to be held in May 2026.
- B. In the event of repurchase of the Company's shares, transfer, conversion or annulment of treasury stocks, and exercise of employees' stock options, leading to a change in the number of outstanding shares and a consequent change in dividend yield, it is proposed that the chairman is authorized by the Board of Directors to duly adjust stocks and cash payout rates.
- (6) Information on the earnings appropriation proposed by the Company's Board of Directors and approved by the Company's shareholders is available on the Market Observation Post System website of the Taiwan Stock Exchange.

## (21)Others equity

Item	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial asset at fair value through other comprehensive income	Total
Balance, January 1, 2025	(\$145,931)	\$9,269	(\$136,662)
Share of subsidiaries, associates and joint ventures accounted for using equity method	(106,901)	-	(106,901)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(758)	(758)
Balance, December 31, 2025	(\$252,832)	\$8,511	(\$244,321)

Item	Exchange differences on translation of foreign financial statements	Unrealized gain (loss) on financial asset at fair value through other comprehensive income	Total
Balance, January 1, 2024	(\$305,248)	\$5,063	(\$300,185)
Share of subsidiaries, associates and joint ventures accounted for using equity method	159,317	-	159,317
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	4,206	4,206
Balance, December 31, 2024	(\$145,931)	\$9,269	(\$136,662)

## (22) Treasury shares

### A. Reasons for share redemption and changes in share quantity

(In thousands)

Reason for repurchase	Year Ended December 31	
	2025	2024
Transferring employees		
Balance, January 1	\$ -	\$ -
Increase in current period	904	-
Decrease in current period	-	-
Balance, December 31	<u>\$904</u>	<u>\$ -</u>

- a. On April 10, 2025, the Board of Directors resolution to repurchase treasury shares and transfer them to employees, It is expected that 6,000 thousands treasury shares will be repurchased from April 11, 2025 to June 10, 2025. As of the expiration date of the repurchase period, the company has repurchased a total of 904 thousands shares, with a total amount of 77,943 thousands.
- B. According to the Securities and Exchange Act, The amount of shares purchased shall not exceed 10% of the total number of shares issued by the company, and the total amount of shares purchased shall not exceed the retained earnings plus the premium on the issued shares and the amount of realized capital reserves.
- C. The treasury shares held by the Company shall not be pledged in accordance with the Securities and Exchange Act nor shall enjoy shareholder rights before being transferred.
- D. According to the Securities and Exchange Act, shares repurchased for transfer to employees must be transferred within five years from the date of repurchase. If they are not transferred within the time limit, they will be deemed as unissued shares by the company and the company must apply for change registration to cancel the shares.

## (23) Operating revenues

Item	Year Ended December 31	
	2025	2024
Revenue from contracts with customers		
Total revenues	\$18,826,915	\$14,777,198
Sales returns	(51,608)	(41,226)
Sales discount	(97,497)	(112,155)
Net	<u>\$18,677,810</u>	<u>\$14,623,817</u>

A. Explain of contract revenue

Sales of fans and other related goods are mainly to system manufacturers and distributors. Please refer to Note 14 for the main sale areas.

B. The Group's timing of revenue recognition is goods transferred at a certain point of time.

C. Contract balances

The Group recognizes the receivables, contract assets and contract liabilities related to contract revenue as follows:

Item	December 31, 2025	December 31, 2024	January 1, 2024
Receivables	\$5,217,454	\$4,102,777	\$3,079,399
Contract assets	-	-	-
Total	\$5,217,454	\$4,102,777	\$3,079,399
Contract liabilities - current	\$164,903	\$109,304	\$109,540

a. Significant changes in contract assets and contract liabilities

The changes in the contract assets and contract liabilities primarily result from the timing difference between the satisfaction of performance obligation and the customer's payment, and there is no other significant change.

b. Amount from previous period's satisfied performance obligations and beginning contract liabilities recognized in the current period as income were as follows:

Revenue in the current period	Year Ended December 31	
	2025	2024
From beginning contract liabilities	\$109,304	\$109,540
From previous period's satisfied performance obligations	\$ -	\$ -

**(24)Labor cost, depreciation and amortization**

Item	Year Ended December 31, 2025		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$1,487,011	\$1,238,993	\$2,726,004
Insurance	120,503	98,998	219,501
Pension	134,944	55,816	190,760
Others	585,087	83,258	668,345
Depreciation	342,036	121,840	463,876
Amortization	21,378	64,647	86,025
Total	\$2,690,959	\$1,663,552	\$4,354,511

Item	Year Ended December 31, 2024		
	Operating cost	Operating expenses	Total
Labor cost			
Salaries	\$1,333,572	\$989,760	\$2,323,332
Insurance	117,089	85,816	202,905
Pension	143,475	48,657	192,132
Others	518,057	74,329	592,386
Depreciation	320,403	92,503	412,906
Amortization	26,277	55,382	81,659
Total	\$2,458,873	\$1,346,447	\$3,805,320

1. The Company accrued employees' compensation, entry-level employees' compensation and remuneration to directors at the rates not less than 2%·3‰ and not higher than 5% of net income before income tax, employees' compensation and remuneration to directors and supervisors during the period for the years ended December 31, 2025. The Company accrued employees' compensation and remuneration to directors at the rates not less than 2% and not higher than 5% of net income before income tax, employees' compensation and remuneration to directors and supervisors during the period for the years ended December 31, 2024.
2. The employees' compensation and remuneration to directors for the years ended December 31, 2025 and 2024 had been approved by the Company's Board of Directors meeting held on March 5, 2026 and March 6, 2025, respectively, and the relevant amounts recognized in the consolidated financial statements were as follows:

	Year ended December 31			
	2025		2024	
	Employees' compensation	Remuneration to directors	Employees' compensation	Remuneration to directors
Resolution amount of allotment	\$78,000	\$16,000	\$44,000	\$11,000
Recognized in the annual financial statements	78,000	16,000	44,000	11,000
Difference	\$ -	\$ -	\$ -	\$ -

The above mentioned employees' compensation will be paid by cash.

3. Information about the appropriation of employees' compensation and directors' remuneration by the Company as proposed by the Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

**(25)Interest income**

Item	Year ended December 31	
	2025	2024
Interest on bank deposits	\$103,790	\$127,122
Others	7,385	5,055
Total	<u>\$111,175</u>	<u>\$132,177</u>

**(26)Other income**

Item	Year ended December 31	
	2025	2024
Rental income	\$2,034	\$2,086
Dividend income	217	-
Others - sample sales, etc.	81,120	61,640
Others - subsidy	64,438	15,103
Others	109,286	83,549
Total	<u>\$257,095</u>	<u>\$162,378</u>

**(27)Other gains and losses**

Item	Year ended December 31	
	2025	2024
Net loss on financial instruments at FVTPL	(\$173,170)	\$12,920
Loss on disposal of property, plant and equipment	(6,178)	(10,947)
Net currency exchange gains	(115,931)	89,823
Gain on disposal of investments	-	-
Others	(40,608)	(37,381)
Total	<u>\$335,887</u>	<u>\$54,415</u>

**(28)Finance costs**

Item	Year ended December 31	
	2025	2024
Interest on loans	\$31,601	\$29,106
Interest on lease liabilities	8,896	8,200
Others Interest	160	11
Less: capitalized amount for qualified assets	-	-
Carrying amount	<u>\$40,657</u>	<u>\$37,317</u>

**(29)Income tax**

A. The major components of tax expense were as follows:

	Year ended December 31	
	2025	2024
<u>Current income tax</u>		
Current tax expense	\$562,508	\$414,558
Undistributed surplus for income tax	19,347	8,103
Adjustments in tax of prior periods	(18,807)	12,407
Total	<u>\$563,048</u>	<u>\$435,068</u>
<u>Deferred income tax</u>		
The origination and reversal of temporary differences	\$68,133	\$54,573
Total	<u>\$68,133</u>	<u>\$54,573</u>
Income tax expense	<u>\$631,181</u>	<u>\$489,641</u>

B. Income tax expense recognized in other comprehensive income was as follows:

Item	Year ended December 31	
	2025	2024
Exchange differences on translation of foreign operations	(\$26,725)	\$39,829
Remeasurement of defined benefit plans	(383)	743
Total	<u>(\$27,108)</u>	<u>\$40,572</u>

C. Reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

Item	Year Ended December 31	
	2025	2024
Income before income tax	<u>\$2,796,880</u>	<u>\$1,981,734</u>
Income tax expense at the statutory rate	\$559,376	\$598,395
Tax effect of adjusting items:		
Other adjustments	3,132	(183,837)
Undistributed surplus for income tax	19,347	8,103
Adjustments for prior year's tax adjustments	(18,807)	12,407
Deferred income tax expense		
Temporary differences	68,133	54,573
Income tax expense recognized in profit or loss	<u>\$631,181</u>	<u>\$489,641</u>

The applicable tax rate used by the Group is 20%. In addition, the tax rate applicable to unappropriated earning is 5%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

According to the amendments to the Statute for Industrial Innovation announced in

July 2019, the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Group has already deducted the amount of the unappropriated earnings that has been reinvested as capital expenditures. When calculating the tax on unappropriated earnings by the Group, already deducted the unappropriated earnings amount that has been reinvested in capital expenditure.

D. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit were as follows:

	Year Ended December 31, 2025				
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets:					
Temporary differences					
Net defined benefit liability	\$3,629	(\$1,276)	\$383	\$ -	\$2,736
Unrealized loss on inventories	11,746	2,660	-	(139)	14,267
Unused compensated absences	4,277	270	-	-	4,547
Unrealized exchange loss	3,796	(1,353)	-	-	2,443
Unrealized profit on	40,937	4,060	-	-	44,997
Intercompany sales	-	32,050	-	-	32,050
Others	28,982	3,441	-	(2,404)	30,019
Subtotal	\$93,367	\$39,852	\$383	(\$2,543)	\$131,059
Deferred income tax liabilities:					
Temporary differences					
Gain on foreign investment under the equity method	\$248,322	\$85,715	(\$26,725)	\$ -	\$307,312
Depreciation life difference	127,734	16,933	-	(2,058)	142,609
Unrealized gain (loss) on financial asset	2,584	(2,584)	-	-	-
Others	6,121	7,921	-	86	14,128
Subtotal	\$384,761	\$107,985	(\$26,725)	(\$1,972)	\$464,049
Total	(\$291,394)	(\$68,133)	\$27,108	(\$571)	(\$332,990)

	Year Ended December 31, 2024				
	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Effect of Exchange Rate Changes	Balance, End of Year
Deferred income tax assets:					
Temporary differences					
Net defined benefit liability	\$5,747	(\$1,375)	(\$743)	\$ -	\$3,629
Unrealized loss on inventories	14,937	(3,813)	-	622	11,746
Unused compensated absences	3,757	520	-	-	4,277
Unrealized exchange loss	18,638	(14,842)	-	-	3,796

Unrealized profit on Intercompany sales	45,928	(4,991)	-	-	40,937
Others	5,327	22,969	-	686	28,982
Subtotal	<u>\$94,334</u>	<u>(\$1,532)</u>	<u>(\$743)</u>	<u>\$1,308</u>	<u>\$93,367</u>
Deferred income tax liabilities:					
Temporary differences					
Gain on foreign investment under the equity method	\$195,556	\$12,937	\$39,829	\$ -	\$248,322
Depreciation life difference	91,174	31,467	-	5,093	127,734
Unrealized gain (loss) on financial asset	-	2,584	-	-	2,584
Others	-	6,053	-	68	6,121
Subtotal	<u>\$286,730</u>	<u>\$53,041</u>	<u>\$39,829</u>	<u>\$5,161</u>	<u>\$384,761</u>
Total	<u>(\$192,396)</u>	<u>(\$54,573)</u>	<u>(\$40,572)</u>	<u>(\$3,853)</u>	<u>(\$291,394)</u>

E. Items with no deferred tax assets recognized:

Item	December 31	
	2025	2024
Deductible temporary differences	<u>\$114,293</u>	<u>\$117,025</u>

F. The tax authorities have ratified Company's income tax returns through Year 2023.

**(30) Other comprehensive income (loss)**

Item	Year Ended December 31, 2025		
	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	(\$1,913)	\$383	(\$1,530)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	(758)	-	(758)
Subtotal	<u>(\$2,671)</u>	<u>\$383</u>	<u>(\$2,288)</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	(\$133,626)	\$26,725	(\$106,901)
Subtotal	<u>(\$133,626)</u>	<u>\$26,725</u>	<u>(\$106,901)</u>
Recognized in other comprehensive income (loss)	<u>(\$136,297)</u>	<u>\$27,108</u>	<u>(\$109,189)</u>

Item	Year Ended December 31, 2024		
	Other Comprehensive Income (Loss), Before Tax	Income Tax Benefit (Expense)	Other Comprehensive Income (Loss), Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligation	\$3,714	(\$743)	\$2,971
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	4,206	-	4,206
Subtotal	<u>\$7,920</u>	<u>(\$743)</u>	<u>\$7,177</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	\$199,146	(\$39,829)	\$159,317
Subtotal	<u>\$199,146</u>	<u>(\$39,829)</u>	<u>\$159,317</u>
Recognized in other comprehensive income (loss)	<u>\$207,066</u>	<u>(\$40,572)</u>	<u>\$166,494</u>

### (31) Earnings per share

Item	Year Ended December 31	
	2025	2024
(1) Basic earnings per share:		
Net income attributable to owners of the parent	\$ 2,165,699	\$1,492,093
Weighted average shares outstanding (in thousands)	272,832	273,444
Basic earnings per share (after tax)	<u>\$7.94</u>	<u>\$5.46</u>
(2) Diluted earnings per share:		
Net income attributable to owners of the parent	\$2,165,699	\$1,492,093
Net income used in computation of diluted earnings per share	\$2,165,699	\$1,492,093
Weighted average shares outstanding (in thousands)	272,832	273,444
Impact on employees' compensation (Note)	486	451
Weighted average number of ordinary shares outstanding after dilution (in thousands)	273,318	273,895
Diluted earnings per share (after tax)	<u>\$7.93</u>	<u>\$5.45</u>

(Note) Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party:

The Group has no parent and ultimate controlling party.

(2) Related party name and category:

Related Party Name	Related Party Category
Guang Sheng Investment Corporation	Other related party
Shehng-Yuan Children Development and Adult Support Services Center	Other related party
Yo Yuan Investment Corporation	Other related party
Sunon Charity Foundation	Other related party
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Associates

(3) Significant transactions with related parties:

A. Sales:

Related Party Category	Year Ended December 31	
	2025	2024
Other related party	\$472	\$ -

Selling prices with the related parties are set by the Company and are equivalent to those with ordinary customers. Collection period was 2 to 4 months. Collection can be delayed when agreed on by both parties.

B. Purchase:

Related Party Category	Year Ended December 31	
	2025	2024
Associates	\$97,028	\$93,281

Above mentioned Purchase prices of the related parties are equivalent to those of those of other manufacturer. Payment term was 3 to 4 months. However, both parties can agree to advance the payment.

C. Contract assets: None.

D. Contract liabilities: None.

E. Balance of receivables (excluding lending to related parties): None.

F. Balance of payables (excluding borrowing from related parties):

Item	Related Party Category	December 31	
		2025	2024
Account payable	Associates	\$24,601	\$12,779
Other payables	Associates	\$20	\$421

G. Advance receipts: None.

H. Property transactions: None.

I. Lessee arrangements:

Item	Related Party Category	Year Ended December 31	
		2025	2024
Interest expense	Other related parties	\$ -	\$1

J. Rent arrangements: None.

K. Financing activities - lending to related parties: None.

L. Financing activities - borrowing from related parties : None.

M. Guarantee for related parties: None.

N. Others:

a. Guarantee deposits:

Related Party Category	December 31	
	2025	2024
Other related parties	\$55	\$55

b. Miscellaneous income:

Related Party Category	Year Ended December 31	
	2025	2024
Other related parties	\$195	\$194

Miscellaneous income is mainly rent income. Rent prices are according to the contract agreement and received monthly.

c. Miscellaneous expenses:

Year Ended December 31

Related Party Category	2025	2024
Associates	\$963	\$5,291

Miscellaneous expenses are R&D.

(4) Key management compensation

Related Party Category	Year Ended December 31	
	2025	2024
Salaries and other short-term employee benefits	\$135,305	\$94,897
Post-employment benefits	-	-
Other long-term employee benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Total	\$135,305	\$94,897

**8. PLEDGED ASSETS**

Item	Year Ended December 31	
	2025	2024
Property, plant and equipment (net)	\$496,858	\$496,858

**9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS**

(1) As of December 31, 2025 and 2024, the Group issued guarantee notes for bank loans amounting to \$3,422,080 thousand and \$3,307,915 thousand, respectively.

(2) The unused letter of credit consisted of the following:

Item	(In thousands)	
	December 31	
	2025	2024
L/C Amount	USD 2,120	USD 721

(3) The note endorsement for material purchase were as follows:

Item	(In thousands)	
	December 31	
	2025	2024
Bank acceptance	USD 2,985	USD 1,234

(4) As of December 31, 2025 and 2024, the Group endorsed guarantees for others. Please refer to Note 13 for the information.

**10. SIGNIFICANT DISASTER LOSS: NONE.**

**11. SIGNIFICANT SUBSEQUENT EVENTS:**

In order to repay bank loans and replenish working capital, the Board of Directors approved the issuance of 13,500,000 in thousands ordinary shares as a cash capital increase on November 6, 2025. The issuance was approved by the Financial Supervisory Commission on January 16, 2026 (Finance Commission Certificate No. 1140369249). The subscription date for the capital increase was March 2, 2026, and the issue price was NT\$125 per share. After the capital increase, the paid-in capital was NT\$2,869,436,690.

## 12. OTHERS

### (1) Capital risk management

The Group should maintain an adequate capital structure to enable the expansion and enhancement of equipment. Therefore, the Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases and debt service requirements associated with its existing operations over the next 12 months.

### (2) Financial instruments

#### A. Financial risk of financial instruments

##### Financial risk management policies

The Group's activities expose to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To lower down the related financial risk, the Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial position and financial performance.

The plans for material treasury activities are reviewed by board of directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Group Treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

##### Significant financial risks and degrees of financial risks

#### a. Market risk

##### (a) Foreign exchange rate risk

The Group's functional currency is New Taiwan dollars. Many of the Group's operating activities are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Group raises loans denominated in foreign currency and derivative financial instruments to hedge the currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements. The derivative financial instruments the Group held with maturities less than 3 months are not qualified for hedge accounting. The net investment in foreign operation is strategic investment. Therefore, the

Group does no hedge for it.

(b) Foreign currency risk and sensitivity analysis (including consolidated elimination items and incompletely write-off of exchange rate risk)

December 31, 2025						
	Foreign Currency	Exchange Rate	Carrying Value (NTD)	Sensitivity Analysis		
				Variation	Profit and Loss Impact	Equity Impact
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:NTD	165,321	31.43	5,196,053	Increase 1%	51,961	-
EUR:NTD	6,686	36.9	246,717	Increase 1%	2,467	-
USD:RMB	118,612	7.0288	3,727,982	Increase 1%	37,280	-
USD:PHP	16,429	58.8026	516,373	Increase 1%	5,164	-
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:NTD	115,501	31.43	3,630,209	Increase 1%	(36,302)	-
USD:RMB	80,319	7.0288	2,524,432	Increase 1%	(25,244)	-
USD:PHP	10,481	58.8026	329,426	Increase 1%	(3,294)	-

December 31, 2024						
	Foreign Currency	Exchange Rate	Carrying Value (NTD)	Sensitivity Analysis		
				Variation	Profit and Loss Impact	Equity Impact
<u>Financial assets</u>						
<u>Monetary item</u>						
USD:NTD	125,416	32.7850	4,111,755	Increase 1%	41,118	-
EUR:NTD	5,350	34.1400	182,652	Increase 1%	1,827	-
USD:RMB	99,929	7.1884	3,276,176	Increase 1%	32,762	-
USD:PHP	8,678	58.0163	284,506	Increase 1%	2,845	-
<u>Financial liabilities</u>						
<u>Monetary item</u>						
USD:NTD	93,171	32.7850	3,054,610	Increase 1%	(30,546)	-
USD:RMB	62,798	7.1884	2,058,840	Increase 1%	(20,588)	-
USD:PHP	4,443	58.0163	145,661	Increase 1%	(1,457)	-

When New Taiwan dollar appreciates and other variation factors stay unchanged, there will be the same but opposite amount of influence as of December 31, 2025 and 2024.

The details of unrealized exchange gain (loss) for monetary items due to material exchange rate fluctuation were as follow:

Year Ended December 31, 2025	Year Ended December 31, 2024
Foreign Exchange Gain (Loss)	Foreign Exchange Gain (Loss)

	Foreign Currency (In thousands)	Exchange Rate	Carrying Value	Foreign Currency (In thousands)	Exchange Rate	Carrying Value
<b>Financial Assets</b>						
<b>Monetary Item</b>						
USD: NTD	-	31.131	94,942	-	32.1250	67,124
EUR: NTD	-	35.19	5,107	-	34.7500	(129)
USD: RMB	(7,193)	7.1429	(31,349)	5,997	7.1217	27,053
USD: EUR	(19)	0.8847	(652)	53	0.9245	1,831
USD: PHP	1,300	57.5096	705	(7,092)	57.2820	(3,976)
<b>Financial Liabilities</b>						
<b>Monetary Item</b>						
USD: NTD	-	31.131	(112,827)	-	32.1250	(86,499)
USD: RMB	5,481	7.1429	23,890	(4,587)	7.1217	(20,689)
USD: EUR	(1)	0.8847	(24)	(58)	0.9245	(2,027)
USD: PHP	(13,635)	57.5096	(7,390)	6,707	57.2820	3,760

**b. Price risk**

The Group is exposed to equity instrument price risk because the investments held by the Group are classified on the consolidated balance sheet as at fair value through profit or loss.

The Group is exposed to beneficiary certificates. If the price of the Group's equity investments rises (or falls) 1%, the net income resulting from equity instruments at fair value through profit and loss will increase (or decrease) \$0 thousand and \$1,732 thousand for the years ended December 31, 2025 and 2024, respectively. The other comprehensive income from equity instruments at fair value through other comprehensive income or loss will increase (or decrease) \$301 thousand and \$315 thousand for the year ended December 31, 2025 and 2024, respectively.

**c. Interest rate risk**

The carrying amount of the financial assets and liabilities that exposed to interest rate risk as reporting date was as follow:

Item	Carrying Value	
	December 31, 2025	December 31, 2024
<b>Fair value interest rate risk:</b>		
Financial assets	\$37,415	\$228,041
Financial liabilities	(340,697)	(195,209)
Net	(\$303,282)	\$32,832
<b>Cash flow interest rate risk:</b>		
Financial assets	\$5,248,461	\$4,668,082
Financial liabilities	(1,198,552)	(1,528,360)
Net	\$4,049,909	\$3,139,722

**(a) Sensitivity analysis of fair value interest rate risk instrument**

The Group does not classify any fixed-rate instruments as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. In addition, the Group does not designate derivatives (interest rate swap) as hedge instruments under hedge accounting. Therefore, the change of interest rate at reporting date does not have influence on net income and other comprehensive income.

(b) Sensitivity analysis of cash flow interest rate risk instrument

The Group's financial assets (liabilities) with variable interest rate are those with floating-rate. If interest rate increases 1%, the net income will increase (decrease) \$40,499 thousand and \$31,397 thousand for the years ended December 31, 2025 and 2024, respectively.

B. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a contract leading to a financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily accounts receivables, and from investing activities, primarily deposit and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

a. Business related credit risk

In order to maintain the credit quality of accounts receivables, the Group has established procedures to monitor and limit exposure to credit risk on trade receivables. Credit evaluation is performed in the consideration of the relevant factors which may affects the customer's paying ability such as financial condition, external and internal credit scoring, historical experience, and economic conditions.

b. Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Group Treasury function. The Group only deals with creditworthy counterparties, banks, and government so that no significant credit risk was identified. In addition, the Group has no financial assets at amortized and investments in debt instruments at fair value through other comprehensive income.

(a) Credit concentration risk

As of December 31, 2025 and 2024, the Group's ten largest customers accounted for 44.40% and 40.59% of accounts receivable, respectively. The Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

The Group continuously evaluated customers' financial situation. To reduce major credit risk, the Group bought credit guarantee insurance, and asked customers to make payment in advance.

(b) Expected credit loss measurement

- i. Account receivables adopts a simplified approach, please refer to Note 6(3).
  - ii. Identification basis for whether credit risk is significantly increased: None (the Group didn't hold debt instruments at amortized cost or at FVTOCI).
- c. Collaterals and other credit enhancement held to avoid credit risks from financial assets.

The following table shows the maximum exposure to credit risk regarding financial assets recognized in the consolidated balance sheets, pledged collateral, master netting arrangements and other credit enhancement held by the Group:

December 31, 2025	Carrying Value	Decrease Amount of Credit Risk Maximum Exposure			
		Collateral	Net Settlement Agreement	Other Credit Strengthening	Total
Financial instruments subject to IFRS 9 impairment requirements and derogated from credit	\$ -	\$ -	\$ -	\$ -	\$ -
Financial instruments not subject to IFRS 9 impairment requirements:					
Financial assets at fair value through profit or loss	-	-	-	-	-
Financial assets at fair value through other comprehensive income or loss	30,095	-	-	-	-
<b>Total</b>	<b>\$30,095</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

December 31, 2024	Carrying Value	Decrease Amount of Credit Risk Maximum Exposure			
		Collateral	Net Settlement Agreement	Other Credit Strengthening	Total
Financial instruments subject to IFRS 9 impairment requirements and derogated from credit	\$ -	\$ -	\$ -	\$ -	\$ -
Financial instruments not subject to IFRS 9 impairment requirements:					
Financial assets at fair value through profit or loss	173,170	-	-	-	-
Financial assets at fair value through other comprehensive income or loss	31,549	-	-	-	-
<b>Total</b>	<b>\$204,719</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

### C. Liquidity risk

#### a. Liquidity risk management:

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements of cash and cash equivalents and the

unused of financing facilities associated with existing operations.

b. Financial liabilities with repayment periods:

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods.

Non-derivative Financial liabilities	December 31, 2025					
	Within 1 year	1-2 years	2-5 years	Over 5 years	Contract Cash Flow	Carrying Value
Short-term loans	\$469,518	\$ -	\$ -	\$ -	\$469,518	\$469,518
Notes payable	40,123	-	-	-	40,123	40,123
Accounts payable	4,530,263	-	-	-	4,530,263	4,530,263
Other payables	1,453,969	-	-	-	1,453,969	1,453,969
Long-term loans	116,534	175,000	437,500	-	729,034	729,034
(Inclusive of current portion)						
Lease liabilities	91,892	74,801	177,620	24,637	368,950	340,697
Guarantee deposits	878	-	-	-	878	878
<b>Total</b>	<b>\$6,703,177</b>	<b>\$249,801</b>	<b>\$615,120</b>	<b>\$24,637</b>	<b>\$7,592,735</b>	<b>\$7,564,482</b>

Further information for lease liabilities with repayment periods was as follows:

Item	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$91,892	\$252,421	\$24,637	\$ -	\$ -	\$ -	\$368,950

Non-derivative Financial liabilities	December 31, 2024					
	Within 1 year	1-2 years	2-5 years	Over 5 years	Contract Cash Flow	Carrying Value
Short-term loans	\$927,601	\$ -	\$ -	\$ -	\$927,601	\$927,601
Notes payable	28,095	-	-	-	28,095	28,095
Accounts payable	3,434,374	398	-	-	3,434,772	3,434,772
Other payables	1,151,898	100	201	-	1,152,199	1,152,199
Long-term loans	122,333	140,676	289,500	48,250	600,759	600,759
(Inclusive of current portion)						
Lease liabilities	87,754	47,095	64,754	10,946	210,549	195,209
Guarantee deposits	1,377	-	-	-	1,377	1,377
<b>Total</b>	<b>\$5,753,432</b>	<b>\$188,269</b>	<b>\$354,455</b>	<b>\$59,196</b>	<b>\$6,355,352</b>	<b>\$6,340,012</b>

Further information for lease liabilities with repayment periods was as follows:

Item	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	Over 20 years	Undiscounted payments
Lease liabilities	\$87,754	\$111,849	\$10,946	\$ -	\$ -	\$ -	\$210,549

The Group does not expect a maturity analysis of which the cash flows timing would be

significantly earlier, or the actual amount would be significantly different.

## 2. Categories of financial instruments

The carrying value of financial assets and liabilities of the Group as of December 31, 2025 and 2024 was as follow:

Financial assets	December 31	
	2025	2024
Financial assets measured at amortized cost		
Cash and cash equivalents	\$5,256,400	\$4,678,438
Notes and accounts receivable	5,217,454	4,102,777
Other receivables	195,051	144,504
Other financial assets - current	-	228,041
Refundable deposits	31,039	21,428
Financial asset at fair value through profit or loss - noncurrent	-	173,170
Financial asset at fair value through other comprehensive income or loss - noncurrent	30,095	31,549
Financial liabilities measured at amortized cost		
Short-term loans	469,518	927,601
Notes and accounts payable (including related parties)	4,570,386	3,462,867
Other payables (including related parties)	1,453,969	1,152,199
Lease liabilities (including current and noncurrent)	340,697	195,209
Long-term loans	729,034	600,759
Guarantee deposits	878	1,377

### (3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(3)C. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(11).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investments in government bonds, corporate bonds, financial

debentures, convertible bonds, and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investments in some derivative instruments and equity instruments without active market is included in Level 3.

C. Financial instruments that are not measured at fair value

The Group considers that the carrying amounts of financial instruments including cash and cash equivalents, receivables, other financial assets, refundable deposits, short-term loans, payables, lease liabilities, long-term loans and guarantee deposits that are not measured at fair value approximate their fair values.

D. The related information of fair value by level

The related information of financial instruments measured at fair value on a recurring basis by level is as follows:

Item	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income or loss:				
Domestic unlisted stocks	\$ -	\$ -	\$30,095	\$30,095
Total	\$ -	\$ -	\$30,095	\$30,095

Item	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss:				
Convertible bonds	\$ -	\$ -	\$173,170	\$173,170
Financial assets at fair value through other comprehensive income or loss:				
Domestic unlisted stocks	-	-	31,549	31,549
Total	\$ -	\$ -	\$204,719	\$204,719

E. Valuation techniques of financial instruments valued at fair value

- (a) The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Center Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm's length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when the bid-ask spread is increasing; or the bid-ask spread varies significantly; or there has been a significant decline in trading volume.

- (b) Except for the above-mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models, based on the information acquired from the market at the balance sheet date.

When the financial instrument of the Group is not traded in an active market, the fair value is determined based on the ratio of the quoted market price of the comparative company, its book value per share and its operating situation. Also, the fair value is discounted for its lack of liquidity in the market.

The assets measured by the fair value of the third level of the fair value hierarchy of the Group are used to measure the significant unobservable inputs of fair value.

December 31, 2025:

Item	Evaluation technology	Check the input value	interval	Input value and fair value relationship
Financial assets at fair value through other comprehensive income or loss - Stocks	Market Approach	Lack of liquidity discount rate	16.21%-21.99%	The higher the degree of lack of liquidity, the lower the fair value estimate

December 31, 2024:

Item	Evaluation technology	Check the input value	interval	Input value and fair value relationship
Financial assets at fair value through profit or loss - Convertible bonds	Income Approach	Discount rate	7.30%	The higher the degree of discount rate, the lower the fair value estimate
Financial assets at fair value through other comprehensive income	Market Approach	Lack of liquidity discount rate	19.95%-21.87%	The higher the degree of lack of liquidity, the lower the fair value

or loss - Stocks

estimate

F. There was no transfer between Level 1 and Level 2 for the years ended December 31, 2025 and 2024.

G. Changes in Level 3 instruments as for the year ended December 31, 2025 and 2024:

Item	Investment in unquoted financial instruments	
	Year Ended December 31	
	2025	2024
Beginning balance	\$204,719	\$27,231
Distribution of capital surplus	(652)	-
Addition	-	160,250
Recognized in income	(173,170)	12,920
Recognized in other comprehensive income	(758)	4,206
Effect of foreign exchange differences	(44)	112
Ending balance	<u>\$30,095</u>	<u>\$204,719</u>

H. Valuation process for Level 3 fair value measurement:

Valuation process regarding fair value Level 3 is conducted by the Group's finance department, by which the independence of fair value of financial instruments is verified through use of independent data source in order to make the valuation results close to market conditions. Such valuation results are regularly reviewed so as to ensure their reasonableness.

(4) Transfer of financial assets: None.

(5) Offset of financial assets and liabilities: None.

(6) other :

On August 29, 2024, the Ministry of Environment issued the Regulations Governing the Collection of Carbon Fees, the Management Regulations for Voluntary Greenhouse Gas Reduction Projects, and the Designated GHG Emissions Reduction Goals for Entities Subject to Carbon Fees. In October 2024, the Ministry further announced the implementation of carbon fee rates effective January 1, 2025. Based on the Company's actual greenhouse gas emissions for the year ended December 31, 2025, management has assessed that the Company does not fall within the scope of entities subject to carbon fees under the regulations issued by the Ministry of Environment. Furthermore, the Company's emissions for the year ending December 31, 2025 are not expected to exceed the regulatory thresholds for carbon fee assessment. Accordingly, no liability related to carbon fees was recognized as of September 30, 2025.

### 13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans provided to other parties: Table 1.

- B. Endorsement/guarantee provided: Table 2.
  - C. Material securities held at the end of the period: Table 3.
  - D. Total purchases from or sales to related parties of at least NT\$100 million or 20% of the paid-in capital: Table 4.
  - E. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5.
  - F. The business relationship between the parent and the subsidiaries and significant transactions between them: Table 6.
- (2) Information on investees (before consolidated elimination): Table 7.
- (3) Information on investments in Mainland China (before consolidated elimination): Table 8.

Table 1

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

**LOANS PROVIDED TO OTHER PARTIES**

DECEMBER 31, 2025

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

No.	Financing Company	Counterparty	Financial Statement Account	Related Party	Maximum Balance for the Period	Ending Balance (Note 4)	Amount Actually Drawn	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 1)	Financing Company's Total Financing Amount Limits (Note 2)
													Item	Value		
1	Sunon Electronics Philippines Corp.	Brilliant Fast Properties Corp.	Other receivables	No	37,415 (PHP 70,000)	37,415 (PHP 70,000)	37,415 (PHP 70,000)	9%	1	53,813		-	-	-	53,813	185,883

Note 1: Financing limits for each borrowing company:

(1) For trading partner, the total amount of the loan shall not exceed 20% of the company's net worth ;

The individual loan amount shall not exceed the purchase or sales amount or the contract amount as signed for the business operations between the two parties in the most recent year.

(2) For short-term financing, the total amount of the loan shall not exceed 20% of the company's net worth ;

The individual loan amount shall not exceed 10% of the Company's net worth.

Note 2: The maximum balance of financing activities:

(1) The total amount of the loan shall not exceed 40% of the net worth of the loan enterprise.

(2) The policy for loans granted mutually between overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows:

The maximum amount for total loan for individual enterprise shall not exceed 50% of its net worth. °

Note 3: The code represents the nature of financing activities as follows:

(1) Related to trading partner is "1".

(2) Short-term financing is "2".

Note 4: The maximum amount was approved by the Board of Directors' meeting.

Table 2

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED**

DECEMBER 31, 2025

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Endorser	Endorsee		Endorsement Limit for a Single Entity (Note 3)	Highest Balance During the Period	Ending Balance	Actual Amount Drawn	Balance Secured by Collaterals	Ratio of Accumulated Amount to Net Worth of the Company	Maximum Amount of Endorsement (Note 4)	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Party in Mainland China
		Company Name	Relationship (Note 2)										
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	2	2,666,126	NTD 89,432 (RMB 20,000)	NTD 89,432 (RMB 20,000)	-	-	1.01%	4,443,543	Y	N	Y
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Bei Hai) Co., Ltd.	2	2,666,126	NTD 645,456 (USD 12,000; RMB 60,000)	NTD 645,456 (USD 12,000; RMB 60,000)	-	-	7.26%	4,443,543	Y	N	Y
0	Sunonwealth Electric Machine Industry Co., Ltd.	Bei hai Li Zhun Electronic Co., Ltd.	2	2,666,126	NTD 501,592 (USD 6,000; RMB 70,000)	NTD 501,592 (USD 6,000 RMB 70,000)	NTD 124,722 (USD 3, 968)	-	5.64%	4,443,543	Y	N	Y
1	Sunon Electronic (Bei Hai) Co., Ltd.	Bei hai Li Zhun Electronic Co., Ltd.	1	231,553	NTD 44,716 (RMB 10,000)	NTD 44,716 (RMB 10,000)	NTD 44,716 (RMB 10,000)	-	3.86%	578,884	N	N	Y
2	Sunon Electronic (Kunshan) Co., Ltd.	Sunon Electronic (Bei Hai) Co., Ltd.	1	428,126	NTD 111,790 (RMB 25,000)	-	-	-	-	1,070,315	N	N	Y
2	Sunon Electronic (Kunshan) Co., Ltd.	Bei hai Li Zhun Electronic Co., Ltd.	1	428,126	NTD 223,580 (RMB 50,000)	-	-	-	-	1,070,315	N	N	Y

Note 1: The description of the number column is as follows:

- (1) The issuer is represented in 0.
- (2) The investee company is numbered sequentially from Arabic numeral 1.

Note 2: The following code represents the relationship with the Company:

1. Trading partner.
2. Majority owned subsidiary.
3. The Company direct and indirect owns over 50% ownership of the investee company.
4. A subsidiary jointly owned over 90% by the Company.
5. Guaranteed by the Company according to the construction contract.
6. An investee company. The guarantees were provided based on the Company's proportionate share in the investee company.
7. Joint and several guaranteed by the Company according to the pre-construction contract under Consumer Protection Act.

Note 3: Endorsements/guarantees provided by the Company to a single enterprise and a single foreign affiliate shall not exceed 20% and 30% of the Company's net worth, respectively.

Note 4: The maximum amount of the endorsements/guarantees provided by the Company shall not exceed 50% of the Company's net worth.

Note 5: Sunonwealth Electric Machine Industry Co., Ltd. endorsed Sunon Electronic (Kunshan) Co., Ltd. and Bei hai Li Zhun Electronic Co., Ltd. to guarantee a shared quota of NTD 89,432 thousand (RMB 20,000 thousand).

Table 3

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

MATERIAL SECURITIES HELD AT THE END OF THE PERIOD

DECEMBER 31, 2025

(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Securities Issuer	Financial Statement Account	Ending Balance				Note
				Number of Shares (in thousands)	Carrying Value	Percentage of Ownership	Fair Value	
Sunon wealth Electric Machine Industry Co., Ltd.	Stock – TECHNOLOGY ON PROTOTYPING ULTIMATE CO., LTD.	The Company is the legal director of that company	Financial assets at fair value through other comprehensive income or loss-noncurrent	870	26,755	15.68%	26,755	
Sunon Electronic (Kunshan) Co., Ltd.	Stock – ACP HEAT TRANSFER TECH WUXI CO LTD	Non	Financial assets at fair value through other comprehensive income or loss-noncurrent	-	3,340	10.00%	3,340	

Table 4

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST

NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2025

(Amounts in Thousands of New Taiwan Dollars)

Company Name Related Party		Nature of Relationships	Transaction Details				Abnormal Transaction		(Notes/Accounts Payable) Or Receivable		Remarks
			Purchases /Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Bei Hai) Co., Ltd.	Subsidiary	Sales	1,019,862	7.45%	3 to 4 months	-	-	971,338	22.13%	
	SUNON SAS	Subsidiary	Sales	182,456	1.33%	2 to 3 months	-	-	43,127	0.98%	
	SUNON INC	Subsidiary	Sales	256,233	1.87%	2 to 3 months	-	-	62,530	1.42%	
Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent	Sales	2,174,970	39.70%	3 to 4 months	-	-	565,495	31.71%	
Sunon Electronics (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent	Sales	6,367,359	96.77%	3 to 4 months	-	-	1,621,889	95.90%	
	SUNON ELECTRONICS PHILIPPINES CORP.	The ultimate parent company	Sales	131,007	1.99%	3 to 4 months	-	-	36,518	2.16%	
Bei Hai Li Zhan Electronics Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	The ultimate parent company	Sales	735,194	18.39%	3 to 4 months	-	-	345,014	27.98%	
	Sunon Electronic (Bei Hai) Co., Ltd.	The ultimate parent company	Sales	116,527	2.92%	3 to 4 months	-	-	34,917	2.83%	
	SUNON ELECTRONICS PHILIPPINES CORP.	The ultimate parent company	Sales	437,694	10.95%	3 to 4 months	-	-	189,623	15.38%	
SUNON ELECTRONICS PHILIPPINES CORP.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent	Sales	828,789	99.91%	2 to 3 months	-	-	212,990	100.00%	

Note: The above-mentioned parent-subsidary transactions have been eliminated.

Table 5

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2025

(Amounts in Thousands of New Taiwan Dollar and Foreign Currencies)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period (Note1)	Allowance for Impairment Loss
					Amount	Action Taken		
Sunonwealth Electric Machine Industry Co., Ltd.	Sunon Electronic (Bai Hai) Co., Ltd.	Subsidiary	NTD 971,338	2.95	-	-	NTD 408,335	-
Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent	NTD 565,495 (RMB 126,464)	4.24	-	-	NTD 346,910 (RMB 77,581)	-
Sunon Electronic (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent	NTD 1,621,889 (RMB 362,709)	4.06	-	-	NTD 958,929 (RMB 214,449)	-
Bei Hai Li Zhan Electronics Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	The ultimate parent company	NTD 345,014 (RMB 77,157)	2.55	-	-	NTD 187,942 (RMB 42,030)	-
Bei Hai Li Zhan Electronics Co., Ltd.	SUNON ELECTRONICS PHILIPPINES CORP.	The ultimate parent company	NTD 189,623 (RMB 42,406)	3.10	-	-	NTD 68,911 (RMB 15,411)	-
SUNON ELECTRONICS PHILIPPINES CORP.	Sunonwealth Electric Machine Industry Co., Ltd.	Parent	NTD 212,990 (PHP 398,484)	5.69	-	-	NTD 212,990 (PHP 398,484)	-

Note 1: Amounts collected as of March 5, 2026.

Table 6

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

DECEMBER 31, 2025

Individual transactions that amount to less than \$50,000 thousand are not disclosed; disclose the asset or revenue side only. No further disclosure is needed on the opposing side of the same transaction.

(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Account	Amount	Terms (Note 4)	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Sunonwealth Electric Machine Industry Co., Ltd.	Sunon SAS	1	Sales revenues	182,456	(Note 4)	0.98%
		Sunon INC	1	Sales revenues	256,233	(Note 4)	1.37%
				Accounts receivable	62,530		0.36%
		SunonElectronic (BaiHai) Co., Ltd.	1	Sales revenues	1,019,862	(Note 4)	5.46%
				Accounts receivable	971,338		5.57%
		Sunon Electronic (Kunshan) Co., Ltd.	1	Other receivables	157,533	(Note 4)	0.84%
SUNON ELECTRONICS PHILIPPINES CORP.	1	Sales revenues	50,739	(Note 4)	0.27%		
Bei Hai Li Zhan Electronics	1	Sales revenues	87,026	(Note 4)	0.47%		
		Other income	143,182		0.77%		
1	Sunon Electronic (Kunshan) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	2	Sales revenues	2,174,970	(Note 4)	11.64%
				Accounts receivable	565,495		3.25%
2	Sunon Electronic (Bei Hai) Co., Ltd.	Sunonwealth Electric Machine Industry Co., Ltd.	2	Sales revenues	6,367,359	(Note 4)	34.09%
				Accounts receivable	1,621,889		9.31%
		Bei Hai Li Zhan Electronics	3	Sales revenues	55,659	(Note 4)	0.30%
		SUNON ELECTRONICS PHILIPPINES CORP.	3	Sales revenues	131,007	(Note 4)	0.70%

3	Bei Hai Li Zhan Electronics Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	3	Sales revenues	735,194	(Note4)	3.94%
				Accounts receivable	345,014		1.98%
		Sunon Electronic (BeiHai) Co., Ltd.	3	Sales revenues	116,527	(Note4)	0.62%
4	SUNON ELECTRONICS PHILIPPINES CORP.	Sunonwealth Electric Machine Industry Co., Ltd.	2	Sales revenues	828,789	(Note4)	4.44%
				Accounts receivable	212,990		1.22%
5	SunonSAS	Sunonwealth Electric Machine Industry Co., Ltd.	2	Other revenue	85,776	(Note4)	0.46%

Note 1: The description of the number column is as follows:

- (1) The issuer is represented in 0.
- (2) The investee company is numbered sequentially from Arabic numeral 1.

Note 2: There are three types of relationships with traders. The type of mark is as follows:

- (1) No. 1 represents the transactions from parent company to subsidiary.
- (2) No. 2 represents the transactions from subsidiary to parent company.
- (3) No. 3 represents the transactions between subsidiaries.

Note 3: The ratio of transaction amount to consolidated revenues or total assets is calculated as follows:

- (1) asset/liability items: ending balance to total assets;
- (2) profit and loss items: accumulated amount to consolidated revenues.

Note 4: The prices and terms to related parties were not significantly different from transactions with third parties, except for particular transactions with no similar transactions to compare with. For these transactions, the prices and terms were determined in accordance with mutual agreements.

Note 5: The above-mentioned parent-subsidiary transactions have been eliminated.

Table 7

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

NAMES, LOCATIONS AND OTHER INFORMATION OF INVESTEE COMPANIES (EXCLUDING INVESTEE IN MAINLAND)

DECEMBER 31, 2025

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2025			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				As of December 31, 2025	As of December 31, 2024	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Sunonwealth Electric Machine Industry Co., Ltd.	Successful Co., Ltd.	Century British Virgin Islands	Investments	1,136,933	1,136,933	33,880	100.00%	2,060,670	427,403	421,847	-
	BVI International Limited	Sunon British Virgin Islands	Investments	510,928	510,928	-	100.00%	1,697,216	840,661	824,773	-
	Sunon INC	USA	Manufacturing and sales of fans	49,140	49,140	150	100.00%	125,036	(6,971)	(5,842)	-
	Sunon SAS	France	Manufacturing and sales of fans	16,127	16,127	50	100.00%	88,446	(11,107)	(12,219)	-
	Sunonwealth Electric Machine Ind.(H.K.) Ltd.	Hong Kong	Manufacturing and sales of fans	3,428	3,428	800	99.99%	1,807	(49)	(49)	-
	Sunon Corporation	Japan	Manufacturing and sales of fans	4,470	4,470	4	100.00%	1,402	(59)	(59)	-
	Sunon Electronics India Private Limited	India	Manufacturing and sales of fans	4,880	4,880	1,100	99.99%	5,371	597	597	-
	Sunon Electronics Philippines Corp.	Philippines	Manufacturing and sales of fans	577,773	485,208	10,378	99.99%	451,621	48,390	39,794	-

	Sunon Properties Philippines Corp.	Philippines	Real estate development and investment	1,407,420	948,195	25,169	99.99%	1,304,067	6,545	6,545	-
	Suzhou Tianmai Thermal Technology Co., Ltd.	China	Production and Sales of New Electronic Components	31,129	-	-	35.00%	31,169	(367)	(129)	-
	Sunon Cooling Technology (Thailand) Co., Ltd	Thailand	Manufacture and sales of heat dissipation modules and import and wholesale of various electronic and motor components	2,003	-	200	100.00%	1,851	(133)	(133)	-
			Total					5,768,656	1,304,910	1,275,125	

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2025			Net Income (Loss) of the Investee	Share of Profit/Loss of Investee	Remark
				As of December 31, 2025	As of December 31, 2024	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Successful Century Co., Ltd.	Sunon Electronic (Kunshan) Co., Ltd.	China	Manufacturing and sales of fans	USD 34,431	USD 34,431	-	100.00%	USD 68,108	USD 13,733	USD 13,733	-
Sunon Electronic (Kunshan) Co., Ltd.	Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	China	Manufacturing and selling of cooling equipment	RMB 6,188	RMB 6,188	-	49.00%	RMB 2,548	RMB (1,788)	RMB (876)	-
	Beihai Li Zhun Electronics Co., Ltd.	China	Manufacturing and selling of fans	RMB 20,000	RMB 20,000	-	33.33%	RMB 74,806	RMB 119,031	RMB 39,677	-
	Kunshan Fengxinrui Electronic Technology Co., Ltd.	China	Manufacturing and selling of fans and type electronic parts	-	RMB 500	-	-	-	RMB (124)	RMB (31)	-
	Sunon Cooling Technology(Huizhou)Co., Ltd	China	Manufacturing and selling of liquid cooling heat dissipation related products	RMB 40,000	-	-	100.00%	RMB 33,190	RMB (6,810)	RMB (6,810)	-
BVI Sunon International Limited	Sunon Electronic (Foshan) Co., Ltd.	China	General investment and trade	RMB 390	RMB 390	-	100.00%	RMB153,110	RMB 79,162	RMB 79,162	-
	Sunon Electronic (Bei Hai) Co., Ltd.	China	Manufacturing and selling of new type electronic parts	RMB 63,732	RMB 63,732	-	100.00%	RMB 258,916	RMB 113,751	RMB 113,751	-
Sunon Electronic (Foshan) Co., Ltd.	Beihai Li Zhun Electronics Co., Ltd.	China	Manufacturing and selling of fans	RMB 40,000	RMB 40,000	-	66.67%	RMB 149,613	RMB 119,031	RMB 79,354	-
Sunon SAS	Sunon Deutschland GmbH	Germany	Sales of fans	EUR 25	EUR 25	-	100.00%	EUR (84)	EUR (270)	EUR (270)	-

Note : The above-mentioned parent-subsidary transactions have been eliminated.

Table 8

**SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LTD. AND SUBSIDIARIES**

INFORMATION ON INVESTMENT IN MAINLAND CHINA

DECEMBER 31, 2025

(1) Mainland Investment Information:

(Amounts in Thousands of New Taiwan Dollars and Foreign Currencies)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Net Income (Loss) of the Investee Company	Percentage of Ownership	Share of Profit/Loss (Note 2)	Carrying Amount as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025
					Outflow	Inflow						
Sunon Electronic (Kunshan) Co., Ltd.	Manufacturing and selling of fans	NTD 1,148,456 (USD 34,431) (註 6)	(2)	NTD 1,136,673 (USD 33,880)	-	-	NTD 1,136,673 (USD 33,880)	NTD 427,519 (USD 13,733)	100%	NTD 427,519 (USD 13,733) (2).B	NTD 2,140,631 (USD 68,108)	NTD 1,234,662 (USD 40,630)
Sunon Electronic (Foshan) Co., Ltd.	General investment and trade	NTD 1,617 (USD 50) (註 7)	(2)	NTD 155,809 (USD 4,630)	-	-	NTD 155,809 (USD 4,630)	NTD 345,013 (RMB 79,162)	100%	NTD 345,013 (RMB 79,162) (2).C	NTD 684,647 (RMB 153,110)	NTD 910,805 (USD 30,414)
Sunon Electronic (Bei Hai) Co., Ltd.	Manufacturing and selling of new type electronic parts	NTD 293,115 (USD 10,000)	(2)	NTD 293,115 (USD 10,000)	-	-	NTD 293,115 (USD 10,000)	NTD 495,762 (RMB 113,751)	100%	NTD 495,762 (RMB 113,751) (2).B	NTD 1,157,767 (RMB 258,916)	NTD 1,732,623 (USD 56,751)
Suzhou Tianmai Thermal Technology Co., Ltd.	Manufacturing and selling of new type electronic parts	NTD 31,129 (RMB 7,000)	(1)	-	-	NTD 31,129 (RMB 7,000)	NTD 31,129 (RMB 7,000)	NTD -367 (RMB -84)	35%	NTD -129 (RMB -30) (2).C	NTD 31,169 (RMB 6,971)	-
Suzhou Shengyixing Heat Transfer Technology Co., Ltd.	Manufacturing and selling of cooling equipment	NTD 51,983 (RMB 12,000)	(3)	- (Note 5)	-	-	- (Note 5)	NTD -7,794 (RMB -1,788)	49%	NTD -3,819 (RMB -876) (2).C	NTD 11,392 (RMB 2,548)	-
Beihai Li Zhun Electronic Co., Ltd.	Manufacturing and selling of fans	NTD 265,311 (RMB 60,000)	(3)	- (Note 8)	-	-	- (Note 8)	NTD 518,772 (RMB 119,031)	100%	NTD 518,772 (RMB 119,031) (2).C	NTD 1,003,514 (RMB 224,419)	-
Kunshan Fengxinrui Electronic Technology Co., Ltd.	Manufacturing and selling of fans and type electronic parts	-	(3)	- (Note 5)	-	-	- (Note 5)	NTD -541 (RMB -124)	0%(Note)	NTD -135 (RMB -31) (2).C	-	-
Sunon Cooling Technology (Huizhou) Co., Ltd.	Manufacturing and selling of liquid cooling heat dissipation related products	NTD 175,242 (RMB 40,000)	(3)	- (Note 9)	-	-	- (Note 9)	NTD -29,681 (RMB -6,810)	100%	NTD -29,681 (RMB -6,810) (2).B	NTD 148,412 (RMB 33,190)	-

Note: Liquidation completed.

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
NTD 1,136,673 (USD 33,880)	USD 34,000	(Note 4)
NTD 155,809 (USD 4,630)	USD 5,450	
NTD 293,115 (USD 10,000)	USD 10,000	
NTD 31,129 (RMB 7,000)	RMB 7,000	

Note: Gain and loss on investment are translated using average exchange rates for the year ended December 31, 2025 (USD:NTD 1: 31.131; CYN:NTD 1: 4.3583). Additions and ending balance are translated using the exchange rates as at December 31, 2025 (USD:NTD 1: 31.43; CYN:NTD 1: 4.4716)

Note 1: The investment methods are divided into the following three types:

- (1) Investing directly to the Mainland China;
- (2) Reinvesting in the Mainland China through third-region companies (please refer to Table 6);
- (3) Others.

Note 2: In the current period, the investment profit and loss column is recognized:

- (1) If during incorporation with no investment income or loss, it should be indicated;
- (2) The basis for recognition of investment gains and losses divided into the following three types, which should be indicated:
  - A. Audited financial statements by international accounting firms with cooperation relationship with accounting firms in the Republic of China.
  - B. Audited financial statements by parent company's auditors.
  - C. Others.

Note 3: The relevant figures in this form should be listed in New Taiwan Dollars.

(2)The Company's major transactions during year 2025 directly or indirectly through the third place and the mainland invested company are listed as follows:

1. Loans provided with mainland investment company: None.
2. Endorsements / guarantees with mainland investment company: refer to Table 2 attached in Note 13.
3. Significant transactions with mainland investment company: refer to Table 4、Table 5 and Table 6 attached in Note 13.

Note 4: Enterprises approved by the Ministry of Economic Affairs as the operational headquarters are not subject to the amount or proportion.

Note 5: The investment, funded by Sunon Electronic (Kunshan) Co., Ltd., was resolved to be liquidated by the shareholders in July 2025, and the remaining funds were returned to the investors in proportion to their respective shareholdings as of December 30, 2025.

Note 6: The Board of Directors of Sunon Electronic (Kunshan) Co., Ltd., resolved on March 15, 2021 to increase capital out of retained earnings for USD 431 thousand, and completed registration on March 25, 2021.

Note 7: The Board's of directors of Sunon Electronic (Foshan) Co., Ltd. approved in January 2021 to reduce capital by cash return for USD 13,660 thousand. Issued capital after capital reduction was USD 10,000 thousand. Company registration was completed. The Board of directors of Sunon Electronic (Foshan) Co., Ltd. approved in March 9, 2022 to reduce capital to offset accumulated deficits for USD 5,400 thousand. Issued capital after capital reduction was USD 4,600 thousand. Company registration was completed. The Board's of directors of Sunon Electronic (Foshan) Co., LTD. Approved in June 2023 to reduce capital by cash return for USD 2,000 thousand. Issued capital after redaction was USD 2,600 thousand. Company registration was completed. The Board's of directors of Sunon Electronic (Foshan) Co., Ltd. approved in May 2024 to reduce capital by cash return for USD 2,550 thousand. Issued capital after capital redaction was USD 50 thousand. Company registration was completed.

Note 8: It is invested by Sunon Electronic (Foshan) Co., Ltd. and Sunon Electronic (Kunshan) Co., Ltd.

Note 9: It is invested by Sunon Electronic (Kunshan) Co., Ltd.

Note 10: The above-mentioned parent-subsidary transactions have been eliminated.

## 14.SEGMENT INFORMATION

### (1) General information

For management purpose, the Group's reportable segments are listed as follows:

A. Great China: Mainly engaging business in Taiwan and China.

B. Europe and North America: Mainly engaging business in America and Europe.

C. Other: Other areas.

### (2) Measurement basis

The Group uses profit before income tax as the measurement for segment profit and the basis of performance assessment. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 4.

### (3) Segment financial information

(In thousands)

Year 2025	Great China	Europe and North America	Other Areas	Elimination	Total
Sales from external customers	\$18,029,459	\$648,351	\$ -	\$ -	\$18,677,810
Sales among inter-segment	11,746,194	-	829,527	(12,575,721)	-
Total sales	\$29,775,653	\$648,351	\$829,527	(\$12,575,721)	\$18,677,810
Operating profit (loss)	\$4,092,224	(\$19,944)	\$59,346	(\$1,334,746)	\$2,796,880
Segment assets	\$ -	\$ -	\$ -	\$ -	\$17,426,528
Segment liabilities	\$ -	\$ -	\$ -	\$ -	\$8,539,441

a. Total reporting segment sales should eliminate inter-segment sales of \$12,575,721 thousand.

b. Income tax expense of \$631,181 thousand is not included in segment profit (loss).

(In thousands)

Year 2024	Great China	Europe and North America	Other Areas	Elimination	Total
Sales from external customers	\$13,971,273	\$652,544	\$ -	\$ -	\$14,623,817
Sales among inter-segment	9,970,367	882	409,423	(10,380,672)	-
Total sales	\$23,941,640	\$653,426	\$409,423	(\$10,380,672)	\$14,623,817
Operating profit (loss)	\$2,921,580	(\$32,749)	(\$58,389)	(\$848,708)	\$1,981,734
Segment assets	\$ -	\$ -	\$ -	\$ -	\$14,998,361
Segment liabilities	\$ -	\$ -	\$ -	\$ -	\$7,078,099

a. Total reporting segment sales should eliminate inter-segment sales of \$10,380,672 thousand.

b. Income tax expense of \$489,641 thousand is excluded in segment profit (loss).

(4) Production and service information: No disclosure required for only single industry in the Group.

(5) Geographic information:

Item	Year ended December 31	
	2025	2024
Asia	\$14,056,278	\$11,300,773
Europe	3,485,280	2,453,374
America	1,067,839	838,138
Others	68,413	31,532
Total	\$18,677,810	\$14,623,817

(6) Major customers: No revenue from any individual customer exceeds 10% of the Group's total revenues. Therefore, the disclosure is not required.