Stock Code:5426

CHENG FWA INDUSTRIAL CO., LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022

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Representation Letter

The entities that are required to be included in the consolidated financial statements of Cheng Fwa Industrial Co., Ltd. as of and for the year ended December 31, 2023 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the consolidated financial statements is included in the consolidated financial statements. Consequently, Cheng Fwa Industrial Co., Ltd. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company name: Cheng Fwa Industrial Co., Ltd.
Chairman: Tsai Tsung Hsun
Date: March 8, 2024

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Cheng Fwa Industrial Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

Our principal audit procedures included testing the effectiveness of the design and implementing the internal control system of sales revenue; reviewing the major customers' sales contracts and understanding the terms of the contracts; and testing samples of sales transactions during the period before and after the end of the year to assess the accuracy of the revenue recognition period. We have also assessed that the material judgment relating to the recognition of the revenue of the Group has been duly disclosed.

Other Matter

The consolidated financial statements of the Group as of and for the years ended December 31, 2022, were audited by other auditors and issued unmodified opinions with other matters paragraph at March 22, 2023.

Cheng Fwa Industrial Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, on which we and other auditors have issued an ummodified opinion with other matter paragraphs and unmodified opinions,respectively.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 8, 2024

Notes to Readers

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

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

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

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(a))	$ 483,814	18	657,169	22
1136	Financial assets at amortized cost-current (Note 6(b))	282,718	11	61,340	2
1150	Notes receivable, net (Notes 6(c) and (n))	14,713	1	5,134	-
1170	Accounts receivable, net (Notes 6(c) and (n))	307,630	11	462,974	15
1180	Accounts receivable－related parties, net (Notes 6(c), (n) and 7)	91,005	3	173,601	6
1200	Other receivables, net	2,889	-	-	-
1220	Current tax assets	1,273	-	-	-
130X	Inventories (Note 6(d))	177,819	7	313,933	11
1410	Prepayments	6,628	-	9,739	-
1470	Other current assets	359	-	5,858	-
		1,368,848	51	1,689,748	56
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive income, non-current	-	-	-	-
1600	Property, plant and equipment (Notes 6(e) and 8)	1,023,372	38	1,074,717	35
1755	Right-of-use assets	306	-	918	-
1760	Investment property, net (Note 6(f))	137,039	5	144,129	4
1821	Other intangible assets, net	25,618	1	24,812	1
1840	Deferred tax assets (Note 6(k))	20,523	1	22,971	1
1915	Prepayments for equipment	10,803	-	1,390	-
1920	Refundable deposits	3,957	-	3,726	-
1975	Net defined benefit asset, non－current (Note 6(j))	94,249	4	79,590	3
		1,315,867	49	1,352,253	44
	Total assets	**$ 2,684,715**	**100**	**3,042,001**	**100**

See accompanying notes to consolidated financial statements.

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

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (CONT'D)

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2023		December 31, 2022	
	Liabilities and Equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2100	Short-term borrowings (Notes 6(g) and 8)	$ -	-	199,000	6
2130	Current contract liabilities	35,984	1	6,180	-
2150	Notes payable	3,080	-	4,911	-
2170	Accounts payable (Note 6(h))	233,233	9	361,836	12
2180	Accounts payable－related parties (Notes 6(h) and 7)	1,155	-	3,851	-
2200	Other payables	120,879	5	133,145	4
2220	Other payables－related parties(Note 7)	644	-	525	-
2230	Current tax liabilities	5,456	-	19,970	1
2280	Lease liabilities—current	308	-	611	-
2300	Other current liabilities(Note 7)	5,175	-	12,033	1
		405,914	15	742,062	24
	Non-Current liabilities:				
2571	Deferred tax liabilities－land value increment tax	106,203	4	106,203	4
2572	Deferred tax liabilities－income tax (Note 6(k))	103,167	4	93,887	3
2580	Lease liabilities－non current	-	-	308	-
2645	Guarantee deposits received	1,599	-	240	-
		210,969	8	200,638	7
	Total liabilities	616,883	23	942,700	31
	Equity attributable to owners of parent (Note 6(l)):				
3100	Capital stock	1,438,000	54	1,438,000	47
3200	Capital surplus	77,934	3	77,934	3
	Retained earnings:				
3310	Legal reserve	328,836	12	320,075	11
3320	Special reserve	240,565	9	240,565	8
3350	Unappropriated retained earnings	64,806	2	87,612	3
	Total retained earnings	634,207	23	648,252	22
3400	Other equity	(87,819)	(3)	(70,209)	(3)
	Total equity attributable to owners of parent:	2,062,322	77	2,093,977	69
36XX	Non-controlling interests	5,510	-	5,324	-
	Total equity	2,067,832	77	2,099,301	69
	Total liabilities and equity	**$ 2,684,715**	**100**	**3,042,001**	**100**

See accompanying notes to consolidated financial statements.

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

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		2023		2022	
		Amount	**%**	**Amount**	**%**
4100	**Sales Revenue (Notes 6(n)and 7)**	$ 1,407,951	100	2,067,562	100
5110	**Cost of sales (Notes 6(d), (j), (o), (p)and 7)**	1,188,863	84	1,708,634	83
5900	**Gross profit from operations**	219,088	16	358,928	17
6000	**Operating expenses (Notes 6(j), (o)and 7):**				
6100	Selling expenses	68,021	5	69,575	3
6200	Administrative expenses	134,846	10	140,343	7
6300	Research and development expenses	38,126	3	41,079	2
6450	Expected credit (gain) loss (Note 6(c))	(2,796)	-	1,145	-
	Total operating expenses	238,197	18	252,142	12
6900	**Net operating (loss) income**	(19,109)	(2)	106,786	5
7000	**Non-operating income and expenses:**				
7100	Interest income (Note 6(p))	19,152	1	4,298	-
7010	Other income (Notes 6(p)and 7)	22,889	2	23,941	1
7020	Other gains and losses, net (Notes 6(c), (p)and 7)	14,128	1	112,547	5
7050	Finance costs (Note 6(p))	(1,684)	-	(3,558)	-
	Total non-operating income and expenses	54,485	4	137,228	6
7900	**Profit from continuing operations before tax**	35,376	2	244,014	11
7950	Less: Income tax expenses (Note 6(k))	27,186	2	79,303	4
8200	**Profit**	8,190	-	164,711	7
8300	**Other comprehensive income:**				
8310	**Items that may not be reclassified subsequently to profit or loss**				
8311	Gains on remeasurements of defined benefit plans	7,258	1	21,460	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that may not be reclassified subsequently to profit or loss	7,258	1	21,460	2
8360	**Items that may be reclassified subsequently to profit or loss**				
8361	Exchange differences on translation of foreign financial statements	(17,610)	(1)	12,228	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss	(17,610)	(1)	12,228	1
8300	**Other comprehensive income**	(10,352)	-	33,688	3
8500	**Total comprehensive income**	**$ (2,162)**	**-**	**198,399**	**10**
	Profit attributable to:				
8610	Profit attributable to owners of parent	$ 7,457	-	163,194	7
8620	Profit attributable to non-controlling interests	733	-	1,517	-
		$ 8,190	**-**	**164,711**	**7**
	Comprehensive income attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ (2,895)	-	196,882	10
8720	Comprehensive income, attributable to non-controlling interests	733	-	1,517	-
		$ (2,162)	**-**	**198,399**	**10**
	Basic earnings per share (Note 6(m))				
9750	**Basic earnings per share**	**$**	**0.05**		**1.13**
9850	**Diluted earnings per share**	**$**	**0.05**		**1.13**

See accompanying notes to consolidated financial statements.

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

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent								
	Share capital		Retained earnings			Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance on January 1, 2022	$ 1,438,000	77,934	320,075	240,565	(95,946)	(82,437)	1,898,191	2,711	1,900,902
Profit	-	-	-	-	163,194	-	163,194	1,517	164,711
Other comprehensive income	-	-	-	-	21,460	12,228	33,688	-	33,688
Total comprehensive income	-	-	-	-	184,654	12,228	196,882	1,517	198,399
Capital increase of subsidiary	-	-	-	-	(1,096)	-	(1,096)	1,096	-
Balance on December 31, 2022	1,438,000	77,934	320,075	240,565	87,612	(70,209)	2,093,977	5,324	2,099,301
Profit	-	-	-	-	7,457	-	7,457	733	8,190
Other comprehensive income	-	-	-	-	7,258	(17,610)	(10,352)	-	(10,352)
Total comprehensive income	-	-	-	-	14,715	(17,610)	(2,895)	733	(2,162)
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	8,761	-	(8,761)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(28,760)	-	(28,760)	-	(28,760)
Cash dividends paid to non-controlling interests	-	-	-	-	-	-	-	(547)	(547)
Balance on December 31, 2023	**$ 1,438,000**	**77,934**	**328,836**	**240,565**	**64,806**	**(87,819)**	**2,062,322**	**5,510**	**2,067,832**

See accompanying notes to consolidated financial statements.

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

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

		2023	2022
Cash flows from operating activities:			
Profit before tax	$	35,376	244,014
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		70,365	67,595
Amortization expense		3,443	2,822
Interest expense		1,684	3,558
Interest income		(19,152)	(4,298)
Gain on disposal of property, plan and equipment		(598)	(696)
Expected credit losses (gains)		(2,796)	(11,750)
Depreciation of investment proporty (as other gains and losses)		5,646	6,072
Total adjustments to reconcile profit		58,592	63,303
Changes in operating assets and liabilities:			
Changes in operating assets:			
Notes receivable		(9,579)	25,189
Accounts receivable (including related parties),net		238,121	(147,936)
Other receivable		(2,716)	-
Inventories		124,862	57,816
Prepayments		3,074	4,219
Other current assets		4,718	2,111
Net defined benefit assets, non-current		(7,401)	(9,693)
Total changes in operating assets		351,079	(68,294)
Changes in operating liabilities:			
Contract liabilities		30,211	197
Notes payable (including related parties),net		(1,831)	(5,493)
Accounts payable (including related parties),net		(129,508)	(16,519)
Other payable (including related parties),net		(10,793)	18,905
Other current liabilities		(6,803)	4,162
Total changes in operating liabilities		(118,724)	1,252
Total changes in operating liabilities		232,355	(67,042)
Total adiustments		290,947	(3,739)
Cash inflow generated from operations		326,323	240,275
Interest received		19,720	3,598
Interest paid		(1,719)	(3,601)
Income taxes paid		(32,090)	(25,196)
Net cash flows from operating activities		312,234	215,076

See accompanying notes to consolidated financial statements.

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

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT'D)

For the Years Ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(13,331)	(26,175)
Proceeds from disposal of property, plant and equipment	780	3,072
Increase in refundable deposits	(276)	(363)
Acquisition of intangible assets	(4,686)	(1,824)
(Increase) decrease in prepayments for eduipment	(9,450)	1,937
(Increase) decrease financial assets at amortised cost	(226,189)	297,915
Net cash flows (used in) from investing activities	(253,152)	274,562
Cash flows from (used in) financing activities:		
Decrease in short-term borrowings	(199,000)	(346,750)
Increase in guarantee deposits received	1,389	-
Parments of lease liabilities	(617)	(152)
Cash dividends paid	(28,760)	-
Change in non-controlling interests	-	2,613
Net cash flows used in financing activities	(226,988)	(344,289)
Effect of exchange rate changes on cash and cash equivalents	(5,449)	(4,749)
Net (decrease) increase in cash and cash equivalents	(173,355)	140,600
Cash and cash equivalents at beginning of period	657,169	516,569
Cash and cash equivalents at end of period	$ **483,814**	**657,169**

See accompanying notes to consolidated financial statements.

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

CHENG FWA INDUSTRIAL CO., LTD. (the "Company").was established on July, 1972, via Ministry of Economic Affairs' authorization. The Company is mainly engaged in the processing, manufacturing and trading of metal stamping shells and related components.The shares of the Company have been listed on the Taipei Exchange ("TPEx") since February,2000.

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

These consolidated financial statements were authorized for issue by the Board of Directors on March 8, 2024.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has initially adopted the following new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 "International Tax Reform—Pillar Two Model Rules"

(b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendments to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS 21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

1) Financial assets at fair value through other comprehensive income are measured at fair value;

2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note 4(p).

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(iii) Principles of preparation of the consolidated financial statements

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

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

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

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

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

(Continued)

(iv) List of subsidiaries in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name investor	Name of investee	Pricipal activity	Shareholding December 31, 2023	Shareholding December 31, 2022	Description
The Company	Cheng Fwa Industrial Co., Ltd. (Samoa)	Manufacture and production of industrial computer casings and their accessories	100.00 %	100.00 %	
The Company	Dasun Plastic Industrial CO., Ltd (Dasun Plastic)	Plastic Products Manufacturing	89.59 %	89.59 %	The investee company is directly held over 50% by the Company
Cheng Fwa Industrial Co., Ltd. (Samoa)	Changzhou Jenyang Electronics Co., Ltd. (Changzhou Jenyang)	Manufacture and production of industrial computer casings and their accessories	100.00 %	100.00 %	The investee company is directly held over 50% by the Group

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

(d) Foreign currencies

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

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

(Continued)

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is expected to be realized within twelve months after the reporting period; or

(iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

(i) It is expected to be settled in the normal operating cycle;

(ii) It is held primarily for the purpose of trading;

(iii) It is due to be settled within twelve months after the reporting period; or

(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(Continued)

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

· it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

3) Business model assessment

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

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

· how the performance of the portfolio is evaluated and reported to the Group's management;

· the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

· how managers of the business are compensated ─ e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

· the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

(Continued)

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

5) Impairment of financial assets

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

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

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

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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

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

The Group considers a financial assets to be in default when the financial assct is more them than 90 days past due or the debtor is unlikeiy to pay its credit obligations to the Group in full.

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

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

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

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

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

· significant financial difficulty of the borrower or issuer;

· a breach of contract such as a default or being more than 90 days past due;

· the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

· it is probable that the borrower will enter bankruptcy or other financial reorganization; or

· the disappearance of an active market for a security because of financial difficulties.

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

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

6) Derecognition of financial assets

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

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

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(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

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

5) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(i) Investment property

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

1)Buildings	4~60years
2)Machinery	3~15years
3)Office equipment	3～15years
4)Transportation equipment	5～6years
5)Other equipment	5～20years

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

(iv) Reclassification to investment property

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

(k) Leases

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

(i) As a leasee

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

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

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

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

— fixed payments, including in-substance fixed payments;

— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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

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

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

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

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

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

(ii) As a leasor

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

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

(Continued)

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

(l) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

Amortization is calculated over the cost of the asset less its residual value, and is recognized in profit or loss on a straight line basis over the estimated useful lives, 3-10 years, of intangible assets, from the date that they are available for use.

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

(n) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost, except when the recognition of finance cost for a short-term provision was insignificant.

A provision for warranties is recognized when the defective products or services are sold. The provision is based on historical after sales service data and a weighting of all possible outcomes against their associated probabilities.

(o) Revenue from contracts with customers

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

1) Sale of goods

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

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

2) Financing components

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

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(q) Income taxes

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

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

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

(i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;

(ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

(i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

1) the same taxable entity; or

2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

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

(s) Operating segments

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

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

In preparing these consolidated financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

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

(a) The loss allowance of trade receivable

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

(Continued)

(b) Inventory valuation

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

(c) Measurement of defined benefit obligations

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

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

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

(a) Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(c) Level 3: inputs for the assets or liability that are not based on observable market data.

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

(a) Note 6(q), Financial instruments

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash	$ 884	1,072
Demand deposits	270,206	238,692
Check deposits	3,899	7,686
Time deposits	208,825	409,719
	$ 483,814	**657,169**

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(b) Financial assets at amortized cost

	December 31, 2023	December 31, 2022
Current		
Time deposits with original maturity of more than 3 months	$ **282,718**	**61,340**

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

(i) The interest rates for time deposits with original maturities of more than 3 months were ranging from 1.58% to 5.17%, and 2.8% as of December 31, 2023 and 2022, respectively.

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

(iii) As of December 31, 2023 and 2022, the Group's time deposits were not pledged as collateral.

(c) Accounts receivable (including related parties)

	December 31, 2023	December 31, 2022
Notes Receivable	$ 14,713	5,134
Accounts Receivable	322,069	482,054
Accounts receivable - related parties	91,335	174,135
Less: Loss allowance	(14,769)	(19,614)
	$ **413,348**	**641,709**

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

The loss allowance provision is determined as follows:

	December 31, 2023		
	Gross Carrying Amount	**Weighted Average Loss Rate**	**Loss Allowance Provision**
Current	$ 370,236	0.45%~0.84%	2,408
1 to 30 days past due	42,489	1.39%~13.92%	3,533
31 to 60 days past due	7,774	3.78%~29.47%	2,079
61 to 90 days past due	1,574	7.48%~85%	705
More than 91 days past due	6,044	100%	6,044
	$ **428,117**		**14,769**

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	December 31, 2022		
	Gross Carrying Amount	Weighted Average Loss Rate	Loss Allowance Provision
Current	$ 560,189	0.34%~1.26%	4,378
1 to 30 days past due	74,267	11.86%	2,267
31 to 60 days past due	16,616	1.49%~27.98%	2,718
61 to 90 days past due	5	85%	5
More than 91 days past due	10,246	100%	10,246
	$ 661,323		19,614

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

	For the years ended December 31	
	2023	2022
Balance on January 1	$ 19,614	31,152
Impairment losses recognized	201	1,145
Impairment losses reversed	(2,997)	(12,895)
Amounts written off	(1,940)	-
Foreign exchange (losses) gains	(109)	212
Balance on December 31	$ 14,769	19,614

The financial assets mentioned above were not pledged as collateral.

(d) Inventories

	December 31, 2023	December 31, 2022
Merchandise	$ 602	362
Raw materials	8,791	15,382
Supplies	26,538	51,814
Work in proces	58,919	106,464
Finished goods	82,969	139,911
Total	$ 177,819	313,933

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(i) The details of the cost of sales by the Group for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31 2023	2022
Production Cost	$ 1,183,039	1,675,636
Write-down of inventories	7,611	38,525
Income from sale of scraps	(1,091)	(2,360)
Loss on scrapping	1,574	546
Recognition as an expense	(2,270)	(3,713)
	$ 1,188,863	**1,708,634**

(ii) As of December 31, 2023 and 2022, the inventories of the Group had not been pledged as collateral.

(e) Property, plant and equipment

(i) The cost, depreciation and impairment of the property, plant equipment of the Group for the years ended December 31, 2023 and 2022 were as follows:

	Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Other Equipment	Total
Cost or deemed cost:							
Balance on January 1, 2023	$ 558,247	539,289	699,530	44,046	51,433	21,398	1,913,943
Additions	-	3,568	6,234	498	1,180	1,851	13,331
Reclassification	-	-	10,301	-	-	-	10,301
Disposals	-	-	(467)	(5,891)	(2,222)	(440)	(9,020)
Effect of foreign currency exchange differences	-	(5,190)	(6,369)	(90)	(150)	(368)	(12,167)
Balance on December 31, 2023	**$ 558,247**	**537,667**	**709,229**	**38,563**	**50,241**	**22,441**	**1,916,388**
Balance on January 1, 2022	$ 558,247	532,196	687,464	38,785	49,423	19,872	1,885,987
Additions	-	2,333	13,923	5,179	3,003	1,737	26,175
Disposals	-	-	(12,264)	-	(1,134)	(529)	(13,927)
Reclassification	-	-	2,598	-	-	-	2,598
Effect of foreign currency exchange differences	-	4,760	5,791	82	141	318	11,092
Balance on December 31, 2022	**$ 558,247**	**539,289**	**697,512**	**44,046**	**51,433**	**21,398**	**1,911,925**
Depreciation and impairments loss:							
Balance on January 1, 2023	$ -	275,073	473,869	36,085	40,594	13,605	839,226
Depreciation	-	18,020	44,500	2,006	3,684	1,543	69,753
Disposals	-	-	(401)	(5,857)	(2,184)	(396)	(8,838)
Effect of foreign currency exchange differences	-	(2,176)	(4,475)	(80)	(127)	(267)	(7,125)
Balance on December 31, 2023	**$ -**	**290,917**	**513,493**	**32,154**	**41,967**	**14,485**	**893,016**
Balance on January 1, 2022	$ -	255,168	436,801	33,903	37,978	12,262	776,112
Depreciation	-	18,392	41,722	2,109	3,586	1,633	67,442
Disposals	-	-	(10,012)	-	(1,073)	(476)	(11,561)
Effect of foreign currency exchange differences	-	1,513	3,340	73	103	186	5,215
Balance on December 31, 2022	**$ -**	**275,073**	**471,851**	**36,085**	**40,594**	**13,605**	**837,208**

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	Land	Buildings	Machinery	Transportation Equipment	Office Equipment	Other Equipment	Total
Carrying value:							
Balance on December 31, 2023	$ 558,247	246,750	195,736	6,409	8,274	7,956	1,023,372
Balance on January 1, 2022	$ 558,247	277,028	250,663	4,882	11,445	7,610	1,109,875
Balance on December 31, 2022	$ 558,247	264,216	225,661	7,961	10,839	7,793	1,074,717

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

(f) Investment property

The movements in the investment property is as follows:

	Land	Buildings	Total
Cost or deemed cost:			
Balance on January 1, 2023	$ 52,807	137,275	190,082
Effect of foreign currency exchange differences	-	(2,142)	(2,142)
Balance on December 31, 2023	**$ 52,807**	**135,133**	**187,940**
Balance on January 1, 2022	$ 52,807	135,311	188,118
Effect of foreign currency exchange differences	-	1,964	1,964
Balance on December 31, 2022	**$ 52,807**	**137,275**	**190,082**
Accumulated depreciation and impairment losses:			
Balance on January 1, 2023	$ -	45,953	45,953
Depreciation	-	5,646	5,646
Effect of foreign currency exchange differences	-	(698)	(698)
Balance on December 31, 2023	**$ -**	**50,901**	**50,901**
Balance on January 1, 2022	$ -	39,478	39,478
Depreciation	-	6,072	6,072
Effect of foreign currency exchange differences	-	403	403
Balance on December 31, 2022	**$ -**	**45,953**	**45,953**
Carrying value:			
Balance on December 31, 2023	**$ 52,807**	**84,232**	**137,039**
Balance on January 1, 2022	**$ 52,807**	**95,833**	**148,640**
Balance on December 31, 2022	**$ 52,807**	**91,322**	**144,129**
Fair value：			
Balance on December 31, 2023			**$ 369,585**
Balance on December 31, 2022			**$ 368,456**

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

(ii) As of December 31, 2023 and 2022, the details of investment property pledged as collateral, please refer to Note 8.

(g) Short-term borrowings

	December 31, 2023	December 31, 2022
Secured bank borrowings	$ -	199,000
Unused credit lines	$ 400,000	236,200
Range of interest rates	-	1.59%~1.8%

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

(h) Accounts payable(including related parties)

	December 31, 2023	December 31, 2022
Payables to suppliers	$ 234,388	365,687

(i) Operating leases

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

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

	December 31, 2023	December 31, 2022
Less than one year	$ 14,421	17,882
One to two years	6,768	14,438
Two to three years	4,386	6,768
Three to four years	1,700	4,451
Four to five years	1,143	1,701
More than five years	3,428	4,571
	$ 31,846	49,811

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(j) Employee benefits

(i) Defined benefit plans

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

	December 31, 2023	December 31, 2022
Present value of defined benefit obligations	$ 112,294	122,536
Fair value of plan assets	(206,543)	(202,126)
Net defined benefit liabilities	**$ (94,249)**	**(79,590)**

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

1) Composition of plan assets

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

The Group' s Bank of Taiwan labor pension reserve account balance amounted to $206,543 thousand as of December 31, 2023. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	2022
Defined benefit obligations at, January 1	$ 122,536	141,283
Current service costs and interest	1,980	1,674
Remeasurements of the net defined benefit liability (asset):		
－Experience adjustments	(5,130)	(4,063)
－Actuarial gains arose from changes in financial assumption	(413)	(2,911)
Benefits paid	(6,679)	(13,447)
Defined benefit obligations at December 31	**$ 112,294**	**122,536**

(Continued)

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

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	**2022**
Fair value of plan assets at January 1	$ 202,126	189,720
Interest income	2,589	1,367
Remeasurements of the net defined benefit liability (asset):		
—Return on plan assets excluding interest income	1,715	14,486
Contributions paid by the employer	6,792	10,000
Benefits paid	(6,679)	(13,447)
Fair value of plan assets at December 31	**$ 206,543**	**202,126**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group in the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	**2022**
Current service cost	$ 448	684
Net interest of net defined benefit asset	(1,057)	(377)
	$ (609)	**307**
Operating cost	$ (416)	195
Selling expenses	(67)	46
Administration expenses	(48)	21
Research and development expenses	(78)	45
	$ (609)	**307**

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

The Group's net defined benefit liability recognized in other comprehensive income for the years ended December 31, 2023 and 2022, are as follows:

	For the years ended December 31	
	2023	**2022**
Cumulative amount on January 1	$ 7,736	29,196
Recognized during the year	(7,258)	(21,460)
Cumulative amount on December 31	**$ 478**	**7,736**

(Continued)

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

6) Actuarial assumptions

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

	December 31, 2023	December 31, 2022
Discount rate	1.30%	1.25%
Future salary increase rate	1.75%	1.75%

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date for 2023 is $6,270 thousand.

The weighted average lifetime of the defined benefits plans is 9 years.

7) Sensitivity Analysis

As of December 31, 2023 and 2022, if the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

		Impact on the present value of defined benefit obligation	
		Increase	Decrease
December 31, 2023			
Discount rate(change 0.25%)	$	(2,106)	2,175
Future salary increase rate(change 0.25%)		2,106	(2,049)
December 31, 2022			
Discount rate(change 0.25%)		(1,287)	1,323
Future salary increase rate(change 1.00%)		5,442	4,967

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2023 and 2022.

(ii) Defined contribution plans

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

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to $9,097 thousand and $9,656 thousand for the years ended December 31, 2023 and 2022, respectively.

(k) Income taxes

(i) The components of income tax of the Group in the years ended December 31, 2023 and 2022 were as follows:

	For the years ended December 31	
	2023	**2022**
Current tax expense		
Current period	$ 21,824	45,291
Adjustment for prior periods	(9,083)	-
Additional tax on undistributed earings	2,506	-
	15,247	45,291
Deferred tax expense		
Origination and reversal of temporary differences	11,939	34,012
Income tax expense from continuing operations	**$ 27,186**	**79,303**

(ii) Reconciliation of income tax and profit before tax from 2023 and 2022 was as follows:

	For the years ended December 31	
	2023	**2022**
Profit excluding income tax	$ 35,376	244,014
Income tax using the Company’s domestic tax rate	$ 7,075	48,803
Non-deductible expenses	(1,561)	(1,928)
Effect of tax rates in foreign jurisdiction	3,895	(16,366)
Tax-lossses carryforward	(481)	(748)
Over estimation from prior period	(9,083)	-
Overseas investment benefits	12,323	24,548
Additional tax on undistributed earnings	2,506	-
Others	12,512	24,994
Income tax expense	**$ 27,186**	**79,303**

Applicated legal tax rates of foregin subsidiaries: China:25% ◦

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(iii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2023	December 31, 2022
Tax carryforward of unused tax losses	$ 17,458	17,939

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

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

As of December 31, 2023 the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unused tax losses	Expiry year
2016	$ 1,541	2026
2018	10,944	2028
2019	16,510	2029
2020	19,481	2030
2021	38,814	2031
	$ 87,290	

2) Recognized deferred tax assets and liabilities

The movements in deferred tax assets and liabilities for the years ended December 31, 2023 and 2022 were as follows:

	Allowance for Impairment Loss	Unrealized Foreign Exchange Loss(Gain)	Unrealized Loss on Inventory	Loss Carry forwards	Others	Total
Balance on January 1, 2023	$ 1,409	705	9,160	1,626	10,071	22,971
Credit on income statement	(267)	715	147	7,028	(10,071)	(2,448)
Balance on December 31, 2023	**$ 1,142**	**1,420**	**9,307**	**8,654**	**-**	**20,523**
Balance on January 1, 2022	$ 1,465	657	4,346	20,273	10,071	36,812
Credit on income statement	(56)	48	4,814	(18,647)	-	(13,841)
Balance on December 31, 2022	**$ 1,409**	**705**	**9,160**	**1,626**	**10,071**	**22,971**

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	Gain on Investment in Equity	Tax credit for purchase of machinery and equipment	Defined Benefit Plans	Total
Balance on January 1, 2023	$ 76,179	17,708	-	93,887
Credit on income statement	12,323	(4,312)	1,480	9,491
Foreign currency translation differences for foreign operations	-	(211)	-	(211)
Balance on December 31, 2023	**$ 88,502**	**13,185**	**1,480**	**103,167**
Balance on January 1, 2022	$ 51,631	21,711	-	73,342
Credit on income statement	24,548	(4,377)	-	20,171
Foreign currency translation differences for foreign operations	-	374	-	374
Balance on December 31, 2022	**$ 76,179**	**17,708**	**-**	**93,887**

(iv) The Company' s tax returns for the years through 2021 were assessed by the Taipei National Tax Administration.

(l) Capital and other equity

(i) Ordinary shares

As of December 31, 2023 and 2022, the company authorized and paid-in capital are $1,600,000 thousand and 1,438,000 thousand, respectively, with issuance of common shares of $143,800 thousand.

(ii) Capital surplus

The components of the capital surplus are as follows:

	December 31, 2023	December 31, 2022
Treasury share transactions	$ 69,337	69,337
Gain on disposal of assets	8,597	8,597
	$ 77,934	**77,934**

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

(Continued)

(iii) Retained earnings

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

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

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

1) Legal reserve

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

2) Special reserve

In first-time adoption of the IFRSs endorsed by the FSC, by choosing to apply exemptions granted under IFRS 1 " First-time Adoption of International Financial Reporting Standards", the cumulative translation adjustments (gains) under shareholders' equity being reclassified into the increase of retained earnings is $240,565 thousand at the adoption date. According to the regulations. In accordance with Ruling of NO.1010012865 issued by the FSC dated April 6,2012, an increase in retained earnings due to the first-time adoption of IFRSs shall be reclassified as a special earnings reserve during earnings distribution, and when the relevant

assets are used, disposed of, or reclassified, these special earnings reserve shall be reversed as distributable earnings proportionately. As of December 31, 2023 and 2022, the special earnings reserve was $240,565 thousand.

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

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

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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3) Earnings distribution

The amounts of cash dividends on the 2022 earnings distribution had been approved during the shareholders' meeting on June 28 2023. The relevant dividend distributions to shareholders were as follows:

	2022	
	Amount per share	**Total amount**
Dividends distributed to ordinary shareholders		
Cash	$ 0.20	28,760

As of December 31, 2021, the Company had accumulated losses, thus there was no distribution of earnings.

(iv) Other equity, (net of tax)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2023	$ (70,209)
Exchange differences on foreign operations	(17,610)
Balance at December 31,2023	**$ (87,819)**
Balance at January 1,2022	$ (82,437)
Exchange differences on foreign operations	12,228
Balance at December 31, 2022	**$ (70,209)**

(m) Earnings per share

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

	For the years ended December 31	
	2023	**2022**
Basic earnings per share		
Profit attributable to ordinary shareholders for the company	**$ 7,457**	**163,194**
Weighted-average number of ordinary shares	**143,800**	**143,800**
	$ 0.05	**1.13**

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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	For the years ended December 31	
	2023	**2022**
Diluted earnings per share		
Profit attributable to ordinary shareholders for the company	**$ 7,457**	**163,194**
Weighted-average number of ordinary shares	143,800	143,800
Effect of potentral diluted ordinary shares		
Employee's stock compensation	55	163
Weighted average number of ordinary shares (after the adjustment of diluted ordinary shares)	**143,855**	**143,963**
	$ 0.05	**1.13**

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31	
	2023	**2022**
Primary geographic markets:		
Taiwan	$ 340,047	514,998
Asia	198,887	213,130
America	819,859	1,286,484
Others	49,158	52,950
Total	**$ 1,407,951**	**2,067,562**
Main products/service lines:		
Revenue from sale of goods	**$ 1,407,951**	**2,067,562**

(ii) Contract balances

	December 31, 2023	**December 31, 2022**	**January 1, 2022**
Notes Receivable	$ 14,713	5,134	30,323
Accounts receivable	322,069	482,054	447,476
Accounts receivable - related parties	91,335	174,135	61,375
Less: Loss allowance	(14,769)	(19,614)	(31,152)
Total	**$ 413,348**	**641,709**	**508,022**
Contract liabilities	**$ 35,984**	**6,180**	**5,983**

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

The amount of revenue recognized for the years ended December 31, 2023 and 2022. that was included in the contract liability balance at the beginning of the period were $5,064 thousand and $688 thousand, respectively.

(o) Remuneration to employees and directors

In accordance with the Company's Articles, employees' compensation is appropriated at the rate of at least 0.5% of the profit, in stock or cash, and the remuneration to directors and supervisors is appropriated at no more than 2% of the profit , respectively. The appropriation of compensation to employees and remuneration to directors and supervisors. shall be approved and resolved by the board of directors. The compensation to employees includes the compensation for employees of subsidiaries who are qualified for the requirements stipulated by the Board of Directors.

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

The compensations to employees amounted to $540 thousand and $2,158 thousand , and the remunerations to directors and supervisors amounted to $270 thousand and $1,200 thousand for the years ended December 31, 2023 and 2022, respectively. These amounts were calculated at the Company's net income before tax and before the compensation to employees and remuneration to directors and supervisors for each period, multiplied by the percentage under the Company's Article. These compensations and remunerations were estimated and recognized as expenses in the current year. If there are any subsequent adjustments to the actual amounts in the next year, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.If compensations to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of compensations by the closing market price per share on the day preceding the board of directors' meeting.

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

	For the years ended December 31			
	2023		2022	
	Employees' Compensation	Remuneration of Directors	Employees' Compensation	Remuneration of Directors
Amounts approved in the board of directors' meeting	$ -	-	3,600	975
Amounts recognized in the consolidated financial statements	$ 540	270	2,158	1,200

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(p) Non-operating income and expenses

(i) Interest income

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

	For the years ended December 31	
	2023	2022
Bank deposits	$ 19,011	4,298
Other interest income	141	-
	$ 19,152	4,298

(ii) Other income

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

	For the years ended December 31	
	2023	2022
Rent income	$ 19,398	18,400
Other income—others	3,491	5,541
	$ 22,889	23,941

(iii) Other gains and losses

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

	For the years ended December 31	
	2023	2022
Gains on disposals of property, plant and equipment	$ 598	696
Net foreign exchange gain	19,211	105,069
Depreciation expenses of investment property	(5,646)	(6,072)
Reversal of impairment loss	-	12,895
Others	(35)	(41)
Other gains and losses, net	$ 14,128	112,547

(iv) Finance costs

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

	For the years ended December 31	
	2023	2022
Interest on bank loans	$ 1,678	3,556
Interest on lease liabilities	6	2
	$ 1,684	3,558

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(q) Financial instruments

(i) Credit Risk

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

2) The Group's main sales targets are domestic and foreign companies with good credit ratings. In addition to granting credit lines to customers in accordance with the credit procedures, the Group continues to understand the credit status of its customers, and for the years ended December 31, 2023 and 2022, the amount of accounts receivable from customers that accounted for more than 10% of the Group's accounts receivable and accounts payable (including related parties) was $185,053 thousand and $366,933 thousand, respectively, which resulted in the Group having a concentration of credit risk in its accounts receivable. However, the Group assesses the possibility of recovering accounts receivable on a regular basis, and provides for appropriate allowances for loss, and the management anticipates that it will not have a significant loss in the future.

3) Accounts receivable of credit risk

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

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

(ii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 1 year	1-3 years	3-5years	Over 5 years
December 31, 2023						
Non-derivative financial liabilities						
Payable (current and non-current)	$ 358,991	358,991	358,991	-	-	-
Lease liabilities (current and non-current)	308	309	309	-	-	-
Guarantee deposits received	1,599	1,599	-	1,599	-	-
	$ 360,898	**360,899**	**359,300**	**1,599**	**-**	**-**

		Carrying amount	Contractual cash flows	Within 1 year	1-3 years	3-5years	Over 5 years
December 31, 2022							
Non-derivative financial liabilities							
Secured bank loans	$	199,000	202,455	202,455	-	-	-
Payable (current and non-current)		504,268	504,268	504,268	-	-	-
Lease liabilities (current and non-current)		919	926	617	309	-	-
Guarantee deposits received		240	240	-	240	-	-
	$	**704,427**	**707,889**	**707,340**	**549**	**-**	**-**

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

		December 31, 2023			December 31, 2022		
		Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets							
Monetary items							
USD:NTD	$	9,510	30.655	291,539	35,298	30.670	818,805
USD:CNY		5,536	7.083	169,701	8,601	6.965	263,785
Financial liabilities							
Monetary items							
USD:NTD		392	30.655	12,024	384	30.670	11,777

2) Sensitivity analysis

The Group's exposure to exchange rate risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, and accounts payable that are denominated in foreign currency. If the TWD, when compared with each major foreign currency, had appreciated or depreciated 1% (with other factors remaining constant on the reporting date), net profit before tax would have respectively increased or decreased by $3,594 thousand and $8,566 thousand for the year ended December 31, 2023 and 2022, respectively. The analysis is performed on the same basis for both periods.

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange are summarized as a single amount. For the years ended December 31, 2023 and 2022, foreign currency exchange gains (including realized and unrealized) amounted $19,211 thousand and $105,069 thousand, respectively.

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

(iv) Fair value of financial instruments

1) Fair value hierarchy

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

		Fair value			
December 31, 2023	**Book Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income - non current	$ -	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 483,814				
Financial assets measured at amortized cost - current	282,718				
Notes and accounts receivable (including related parties)	413,348				
Other receivable (including related parties)	2,889				
Refundable deposits	3,957				
	$ 1,186,726				
Financial liabilities measured at amortized cost					
Notes and accounts payable (including related parties)	$ 237,468				
Other payables (including related parties)	121,523				
Lease liabilities (current and non-current)	308				
Guarantee deposits received	1,599				
	$ 360,898				

(Continued)

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

		Fair value			
December 31, 2022	**Book Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through other comprehensive income - non current	$ -	-	-	-	-
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 657,169				
Financial assets measured at amortized cost - current	61,340				
Notes and accounts receivable (including related parties)	641,709				
Refundable deposits	3,726				
	$ 1,363,944				
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 199,000				
Notes and accounts payable (including related parties)	370,598				
Other payables (including related parties)	133,670				
Lease liabilities (current and non-current)	919				
Guarantee deposits received	240				
	$ 704,427				

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

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

3) Valuation techniques for financial instruments measured at fair value

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

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

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

4) Transfers between levels

There were no transfers of financial instruments held by the Group for the years ended December 31, 2023 and 2022

(r) Financial risk management

(i) Overview

1) credit risk

2) liquidity risk

3) market risk

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

(ii) Structure of risk management

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

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

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

(iii) Credit risk

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

At December 31, 2023 and 2022, no other guarantees were outstanding.

(iv) Liquidity risk

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

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

(v) Market risk

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

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

1) The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Group, mainly the US Dollar (USD).When a short-term imbalance of financial assets and liabilities in foreign currency occurs, the Group will maintain the net exposure risk at an acceptable level through buying or selling foreign currency at current rate.

2) Every significant investment of the Group’s portfolio is managed individually, and all the decisions on transactions are approved by the Board of Directors.

(s) Capital management

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

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

As of December 31, 2023, the Group’s capital management strategy is consistent with the prior year and ensure financing at reasonable cost. The Group’s debt-to-equity ratio at the end of the reporting period as of December 31, 2023 and 2022, were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	$ 616,883	942,700
Less: cash and cash equivalents	(483,814)	(657,169)
Net debt	133,069	285,531
Total equity	2,067,832	2,099,301
Adjusted equity	**$ 2,200,901**	**2,384,832**
Debt-to-equity ratio	**6 %**	**12 %**

The Board manages capital by optimizing debt and equity balances in order to maximize shareholder returns. As of December 31, 2023, the decrease in the debt-to-equity ratio was due to the decrease in loans. As of December 31, 2023, the Group’s capital management strategy is consistent with the prior year.

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
United Sheetmetal,Inc.(USI)	The entity's chairman is the second immediate family of the chairman of the Company
Shang Shun Precision Industrial Co., Ltd. (Shang Shun)	The entity's chairman is the second immediate family of the chairman of the Company
Asia Partners International Trading, Inc. (Asia Partners)	The entity's chairman is the second immediate family of the chairman of the Company
Tai Yang Co.,Ltd(Tai Yang)	Same chairman as the company
Sheng Teng International Co.,Ltd(Sheng Teng)	The entity's chairman is the second immediate family of the chairman of the Company

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Name of related party	Relationship with the Group
Shang Ye Co.,Ltd(Shang Ye)	The entity's chairman is the second immediate family of the chairman of the Company
Kai Da Investment Co.,Ltd(Kai Da)	The entity's chairman is the second immediate family of the chairman of the Company
Shi Chen Investment Co.,Ltd(Shi Chen)	The entity's chairman is the second immediate family of the chairman of the Company
Yong Syu Development Co.,Ltd(Yong Syu)	Same chairman as the company

(b) Significant transactions with related parties

(i) Sales

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

	For the years ended December 31	
	2023	2022
USI	$ 463,253	516,163

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

(ii) Purchases

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

	For the years ended December 31	
	2023	2022
Shang Shun	$ 60	-

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

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

	For the years ended December 31	
	2023	2022
Shang Shun	$ 6,158	8,031

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

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

	For the years ended December 31	
	2023	2022
Asia Partners	$ 3,000	2,100

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

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(iii) Receivables from related parties

Account	Relationship	December 31, 2023	December 31, 2022
Accounts receivables	USI	$ 91,005	173,601

(iv) Payables to related parties

Account	Relationship	December 31, 2023	December 31, 2022
Accounts receivables	Shang Shun	$ 1,155	3,851
Other accounts payables	Asia Partners	525	525
Other accounts payables	Yong Syu	119	-
		$ 1,799	4,376

(v) Contrant liabilities

Account	Relationship	December 31, 2023	December 31, 2022
Contrant liabilities	USI	$ 22,495	-

(vi) Other current liabilities

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

Account	Relationship	December 31, 2023	December 31, 2022
Advance rent receipts	Other related parties	$ 14	14

(vii) Leases

1) The Group rents out part of its factory and office to fulfill related parties' business requirements. The rental revenues for the years ended December 31, 2023 and 2022 were amounted to $1,200 thousand and $1,260 thousand, respectively.

2) These leases are handled at common market prices and rents are collected semi-annually according to the contract between both parties.

(viii) Property transactions

For the years ended December 31, 2023 and 2022, the Group sold assets to other related parties for $115 thousand and $0 thousand, respectively, and the gain on sale was $115 thousand and $0 thousand, respectively, and the transaction prices were fully recovered.

(c) Key management personnel compensation

	For the years ended December 31	
	2023	2022
Short-term employee benefits	$ 13,588	12,195

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CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Property, plant and equipment	Short-term loans	$ 509,056	509,464
Investment property	Short-term loans	52,807	52,807
		$ 561,863	**562,271**

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other

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

By function / By item	For the year ended December 31					
	2023			2022		
	Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits						
Salary	$ 212,104	109,951	322,055	302,846	111,239	414,085
Labor and health insurance	33,545	14,676	48,221	34,051	17,075	51,126
Pension	4,855	3,633	8,488	5,930	4,033	9,963
Others	10,344	6,780	17,124	11,818	11,334	23,152
Depreciation	55,128	15,237	70,365	52,101	15,494	67,595
Amortization	282	3,161	3,443	141	2,681	2,822

(b) Other:

The amount of donations made by the Group to the government, foundation, election candidate and association of New Taipei City for the years ended December 31, 2023 and 2022 were $3,477 thousand and $2,355 thousand, respectively. The donation was for the purpose of sponsoring remote schools, rehabilitation bus, political contributions, etc.

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

(13) Other disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:None

(ii) Guarantees and endorsements for other parties:None

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

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

Note：The Company was deregistered in 2021.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:None

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

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Cheng Fwa Industrial Co.,Ltd.	USI	The entity's chairman is the second immediate family of the chairman of the Company	Sale	110,073	7.82%	3 to 6 months	-	-	26,981	6.53%	-
Changzhou Jenyang Electronics Co.,Ltd.	USI	The entity's chairman is the second immediate family of the chairman of the Company	Sale	353,180	25.08%	3 to 6 months	-	-	64,024	15.49%	-

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

(ix) Trading in derivative instruments:None.

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(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	Cheng Fwa Industrial Co., Ltd.	Changzhou Jenyang Electronics Co., Ltd.	1	Puechase	6,837	The same as those for ordinary transactions	0.25%
0	Cheng Fwa Industrial Co., Ltd.	Da Sun Plastic Industrial Co., Ltd.	1	Sale	11,895	The same as those for ordinary transactions	0.84%
0	Cheng Fwa Industrial Co., Ltd.	Da Sun Plastic Industrial Co., Ltd.	1	Notes receivable	3,895	The same as those for ordinary transactions	0.14%
0	Cheng Fwa Industrial Co., Ltd.	Da Sun Plastic Industrial Co., Ltd.	1	Accounts receivable	1,097	The same as those for ordinary transactions	0.04%

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

1. Parent company - 0

2. Subsidiaries - in sequence from 1.

Note 2：Relationship is classified into three types:

1. Parent company to subsidiary

2. Subsidiary to parent company

3. Subsidiary to subsidiary

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2023			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
Cheng Fwa Industrial Co., Ltd.	Cheng Fwa Industrial Co., Ltd. (Samoa)	Samoa	Manufacture and production of industrial computer casings and their accessories	$ 563,947	563,947	16,500,000	100 %	989,819	100.00 %	61,614	61,614	Note
Cheng Fwa Industrial Co., Ltd.	Da Sun Plastic Industrial Co., Ltd.	Taiwan	Plastic Products Manufacturing	40,317	40,317	4,031,666	89.59 %	47,338	89.59 %	7,169	6,381	Note

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

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumu-lated remittance of earnings in current period
					Outflow	Inflow							
Changzhou Jenyang Electronic Co., Ltd.	Manufacture and production of industrial computer casings and their accessories	$ 563,947	(1)	563,947	-	-	563,947	61,614	100.00%	100.00%	61,614	989,819	-
Changzhou Zhuofu Electronic Technology Co., Ltd.	Technical research on LED lamps and cooling modules, etc.	$ 4,353	(1)	4,353	-	-	4,353	-	14.49%	14.49%	-	-	-

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

1) Indirectly invested in Mainland China through the third region. Please refer to Note 4(b).

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

Note 2: The amounts had been offset in the consolidated financial statements.

Note 3: As of December 31, 2023, the company indirectly invested in Cheng Fwa Industrial Co., Ltd (Samoa). in mainland Changzhou Jenyang Electronics Co., Ltd. (Jenyang) And it has been approved by the Investment Review Committee of the Ministry of Economic Affairs. The approved letters are issued in No. 89.9.25 (89) No. 89021992 , 90.5.16 (90) No. 90013111, 91.9.10 (91) No. 091038052 , 93.7.2 No. 093016406, and 95.7.12 No. 09500199660 respectively.

Note 4: Changzhou Jenyang Electronic Co., Ltd. was recognized as investment income or loss based on the financial statements audited by the same audit team of the company.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
$ 563,947	613,367	1,240,699

(iii) Significant transactionswith investee companies in Mainland China: For the Group' s significant direct or indirect transactions (eliminated when compiling the consolidated financial statements) with investee companies in Mainland China for the years ended December 31, 2023, please refer to "Information on significant

(d) Major shareholders:None

Shareholding / Shareholder's Name	Shares	Percentage
Tsai Tsung Hsun	9,838,600	6.84 %
Tsai Tsung Ming	9,111,400	6.33 %
Tsai Tsung Yi	7,405,000	5.14 %
Tsai Peiwei	7,264,400	5.05 %

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

(a) General information

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

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

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

(b) Disclosure of industry financial information

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

	For the year ended December 31, 2023			
	Domestic	**Foreign**	**Elimination**	**Total**
Revenue:				
Revenue from external customers	$ 699,173	708,778	-	1,407,951
Intersegment revenues	12,175	6,334	(18,509)	-
Interest income	8,840	10,312	-	19,152
Total revenue	**$ 720,188**	**725,424**	**(18,509)**	**1,427,103**
Interest expense	$ 1,684	-	-	1,684
Depreciation and amortization	36,469	37,283	56	73,808
Reportable segment profit or loss	**$ (34,666)**	**70,042**	**-**	**35,376**

	For the year ended December 31, 2022			
	Domestic	**Foreign**	**Elimination**	**Total**
Revenue:				
Revenue from external customers	$ 1,053,824	1,013,738	-	2,067,562
Intersegment revenues	13,191	82,641	(95,832)	-
Interest income	3,495	803	-	4,298
Total revenue	**$ 1,070,510**	**1,097,182**	**(95,832)**	**2,071,860**
Interest expense	$ 3,657	-	(99)	3,558
Depreciation and amortization	36,015	34,346	56	70,417
Reportable segment profit or loss	**$ 80,359**	**163,655**	**-**	**244,014**

(Continued)

CHENG FWA INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(c) Geographic information

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

	For the years ended December 31	
Product and services	**2023**	**2022**
Revenue from external customers:		
Taiwan	$ 340,047	514,998
Asia	198,887	213,130
America	819,859	1,286,484
Others	49,158	52,950
	$ 1,407,951	**2,067,562**
Non current assets:		
Taiwan	$ 782,745	795,025
China	414,393	450,941
Total	**$ 1,197,138**	**1,245,966**

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

(d) Information about major customers

	For the years ended December 31	
	2023	**2022**
Customer A	$ 463,253	516,163
Customer B	355,480	736,020
Customer C	110,989	90,934
Customer D	72,949	64,458
	$ 1,002,671	**1,407,575**