

**CHINA FINEBLANKING TECHNOLOGY CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

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

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

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Representation Letter

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

Company name: CHINA FINEBLANKING TECHNOLOGY CO., LTD.

Chairman: HUEI-JENG LIN

Date: March 12, 2026.

Independent Auditors' Report

To the Board of Directors of CHINA FINEBLANKING TECHNOLOGY CO., LTD.:

Opinion

We have audited the consolidated financial statements of CHINA FINEBLANKING TECHNOLOGY CO., LTD. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2025 and 2024, the consolidated statement 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 material accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

1. Revenue recognition

For the accounting policies of Revenue recognition, please refer to Note (4)(m) "Revenue from contracts with customers" ; for the explanation of revenue recognition, please refer to Note (6)(q) "Revenue from contracts with customers" .

Description of key audit matter:

The main business items of the Group are producing and selling parts of HDD and parts of vehicles. The Group sets up shipping warehouse at the customers' places to fulfill the demands of the customers. The performance obligations are fulfilled at the time that the customers pick up the goods. Revenue recognition is the matter which needs high attention when we conduct the audit of financial statements, because the accuracy of the timepoint of revenue recognition is material to the financial statements and is the matter the users of financial statements concern.

Our principal audit procedures included:

- Assessing the adequacy of the accounting policies of revenue recognition; testing the Group's controls surrounding the Sale and Receipt cycle and checking the accuracy of the timepoint of revenue recognition;
- Conducting analysis of variances to the top ten customers to evaluate that there is material abnormality or not; sending confirmations to the trade partners;
- Choosing a period contains date of balance sheet and checking the original certificates concerning to verify that related transactions were presented appropriately.

2. Inventory valuation

For the accounting policies of Inventory valuation, please refer to Note (4)(h) "Inventories" ; for the accounting assumptions and estimation uncertainty of Inventory valuation, please refer to Note (5)(b); for the explanation of Inventory valuation, please refer to Note (6)(c) "Inventories" .

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. The net realizable value changes arising from uncertainty of technical transformations, and may have a risk which becomes higher than the historical cost. Thus, we consider the inventory evaluation as a key audit matter.

Our principal audit procedures included:

- Obtaining aging statements of each kind of inventories and testing the changes in ages of inventories; selecting samples to check the accuracy of classification range of inventories ages;
- Obtaining the policies of inventories evaluation and evaluated the consistency of these policies; assessing the basis of the valuation net realizable value, sampling and testing the documentary evidence regarding purchases and sales to verify the accuracy of the valuation of allowance to reduce inventories to market.

Other Matter

CHINA FINEBLANKING TECHNOLOGY CO., LTD. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2025 and 2024, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

6. Obtain sufficient 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 Kao, Yu-Lun and Chen, Chung-Che.

KPMG

Taipei, Taiwan (Republic of China)

March 12, 2026

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar)

Assets	December 31, 2025		December 31, 2024			Liabilities and Equity	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:				
1100 Cash and cash equivalents (Note (6)(a))	\$ 458,387	12	449,309	12	2100	Short-term borrowings (Note (6)(h) and (8))	\$ 90	-	347,252	9
1110 Current financial assets at fair value through profit or loss (Note (6)(j))	-	-	-	-	2130	Current contract liabilities (Note (6)(q))	14,992	-	9,132	-
1140 Current contract assets (Note (6)(q))	71,966	2	57,369	1	2170	Accounts payable	320,085	9	318,022	8
1150 Notes receivable, net (Note (6)(b) and (q))	72,937	2	94,529	2	2180	Accounts payable to related parties (Note (7))	-	-	2,467	-
1170 Accounts receivable, net (Note (6)(b) and (q))	615,605	17	649,259	17	2200	Other payables (Note (6)(i) and (r))	338,013	9	310,937	8
1200 Other receivables, net (Note (8))	53,615	1	55,094	1	2220	Other payables to related parties (Note (6)(i) and (7))	-	-	19,091	-
1220 Current tax assets	116	-	288	-	2230	Current tax liabilities	2,001	-	4,336	-
130X Inventories (Note (6)(c))	448,977	12	502,359	13	2280	Current lease liabilities (Note (6)(l))	1,046	-	1,741	-
1410 Prepayments (Note (6)(d))	138,252	4	144,875	4	2320	Long-term liabilities, current portion (Note (6)(j)(k) and (8))	577,982	16	190,431	5
1470 Other current assets	476	-	236	-	2399	Other current liabilities, others	689	-	1,339	-
	<u>1,860,331</u>	<u>50</u>	<u>1,953,318</u>	<u>50</u>			<u>1,254,898</u>	<u>34</u>	<u>1,204,748</u>	<u>30</u>
Non-current assets:						Non-Current liabilities:				
1510 Non-current financial assets at fair value through profit or loss (Note (6)(j))	-	-	-	-	2530	Bonds payable (Note (6)(j) and (8))	-	-	484,617	13
1600 Property, plant and equipment (Note (6)(e) and (8))	1,612,710	44	1,739,826	46	2540	Long-term borrowings (Note (6)(k) and (8))	411,778	11	567,483	15
1755 Right-of-use assets (Note (6)(f) and (8))	31,429	1	31,840	1	2570	Deferred tax liabilities (Note (6)(n))	107,739	3	68,007	2
1780 Intangible assets	8,293	-	7,499	-	2580	Non-current lease liabilities (Note (6)(l))	1,818	-	702	-
1840 Deferred tax assets (Note (6)(n))	94,090	3	42,831	1	2630	Long-term deferred revenue	697	-	2,491	-
1900 Other non-current assets (Note (6)(g))	87,775	2	83,842	2	2645	Guarantee deposits received	200	-	278	-
	<u>1,834,297</u>	<u>50</u>	<u>1,905,838</u>	<u>50</u>			<u>522,232</u>	<u>14</u>	<u>1,123,578</u>	<u>30</u>
						Total liabilities	<u>1,777,130</u>	<u>48</u>	<u>2,328,326</u>	<u>60</u>
						Equity attributable to owners of parent (Note (6)(j) and (o)):				
					3110	Ordinary shares	1,068,495	29	868,495	22
					3200	Capital surplus	832,685	23	584,685	15
					3300	Retained earnings	306,511	8	371,034	10
					3400	Other equity interest	(69,869)	(2)	(73,060)	(2)
					3500	Treasury shares	(220,324)	(6)	(220,324)	(5)
						Total equity	<u>1,917,498</u>	<u>52</u>	<u>1,530,830</u>	<u>40</u>
Total assets	<u>\$ 3,694,628</u>	<u>100</u>	<u>3,859,156</u>	<u>100</u>		Total liabilities and equity	<u>\$ 3,694,628</u>	<u>100</u>	<u>3,859,156</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2025 and 2024

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

	2025		2024	
	Amount	%	Amount	%
4000 Operating revenue (Notes (6)(q) and (14))	\$ 2,300,558	100	2,572,580	100
5000 Operating costs (Notes (6)(c)(l)(m)(r), (7) and (12))	2,018,273	88	2,170,804	84
5900 Gross profit from operations	282,285	12	401,776	16
6000 Operating expenses (Notes (6)(b)(l)(m)(r) and (12)):				
6100 Selling expenses	51,812	2	61,996	3
6200 Administrative expenses	182,536	8	183,121	7
6300 Research and development expenses	113,634	5	124,901	5
6450 Expected credit impairment gain	3,124	-	(988)	-
	Total operating expenses	15	369,030	15
6900 Net operating income (loss)	(68,821)	(3)	32,746	1
	Non-operating income and expenses (Notes (6)(l)(s) and 12):			
7100 Interest income	4,980	-	2,836	-
7010 Other income	53,815	2	31,080	1
7020 Other gains and losses, net	(9,420)	-	10,979	-
7050 Finance costs, net	(23,288)	(1)	(36,474)	(1)
	Total non-operating income and expenses	1	8,421	-
	Profit (Loss) from continuing operations before tax	(2)	41,167	1
7950 Less: Income tax expenses (benefit) (Note (6)(n))	(8,600)	-	5,885	-
	Profit (Loss)	(2)	35,282	1
8300 Other comprehensive income:				
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	3,989	-	64,134	2
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note (6)(n))	798	-	12,826	-
8300 Other comprehensive income	3,191	-	51,308	2
	Total comprehensive income	(2)	86,590	3
	Earnings (loss) per share (Note (6)(p)) (in new Taiwan Dollars)			
9750 Basic earnings (loss) per share	\$ (0.35)		0.43	
9810 Diluted earnings per share			\$ 0.42	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollar)

	Equity attributable to owners of parent								Total equity
	Share capital	Retained earnings					Total other equity interest		
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	
Balance at January 1, 2024	\$ 863,123	578,446	123,841	97,144	125,331	346,316	(124,368)	(204,374)	1,459,143
Profit	-	-	-	-	35,282	35,282	-	-	35,282
Other comprehensive income	-	-	-	-	-	-	51,308	-	51,308
Total comprehensive income	-	-	-	-	35,282	35,282	51,308	-	86,590
Appropriation and distribution of retained earnings:									
Cash dividends of ordinary shares	-	-	-	-	(8,126)	(8,126)	-	-	(8,126)
Stock dividends of ordinary shares	2,438	-	-	-	(2,438)	(2,438)	-	-	-
Special reserve appropriated	-	-	-	27,224	(27,224)	-	-	-	-
Conversion of convertible bonds	2,934	6,239	-	-	-	-	-	-	9,173
Purchase of treasury share	-	-	-	-	-	-	-	(15,950)	(15,950)
Balance at December 31, 2024	868,495	584,685	123,841	124,368	122,825	371,034	(73,060)	(220,324)	1,530,830
Loss	-	-	-	-	(34,134)	(34,134)	-	-	(34,134)
Other comprehensive income	-	-	-	-	-	-	3,191	-	3,191
Total comprehensive income	-	-	-	-	(34,134)	(34,134)	3,191	-	(30,943)
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	3,528	-	(3,528)	-	-	-	-
Reversal of special reserve	-	-	-	(51,307)	51,307	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(30,389)	(30,389)	-	-	(30,389)
Cash capital increase	200,000	248,000	-	-	-	-	-	-	448,000
Balance at December 31, 2025	\$ 1,068,495	832,685	127,369	73,061	106,081	306,511	(69,869)	(220,324)	1,917,498

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(Expressed in Thousands of New Taiwan Dollar)

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
(Loss) profit before tax	\$ (42,734)	41,167
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	161,911	183,048
Amortization expense	23,054	19,782
Expected credit loss (reversal gain)	3,124	(988)
Interest expense	23,288	36,474
Interest income	(4,980)	(2,836)
Loss on disposal of property, plant and equipment	1,224	162
Gain from lease modifications	(2)	-
Amortization of deferred revenue	(1,794)	(1,632)
Total adjustments to reconcile profit	<u>205,825</u>	<u>234,010</u>
Changes in operating assets and liabilities:		
(Increase) decrease in contract assets	(13,837)	3,582
Decrease (increase) in notes receivable	21,170	(6,396)
Decrease in accounts receivable	32,637	78,136
Decrease (Increase) in other receivables	1,479	(6,041)
Decrease in inventories	52,955	95,925
Increase in prepayments	(1,352)	(5,862)
(Increase) decrease in other current assets	(240)	4
Total changes in operating assets	<u>92,812</u>	<u>159,348</u>
Increase (decrease) in contract liabilities	5,860	(1,644)
Decrease in notes payable	-	(26)
Decrease in accounts payable	(1,953)	(55,148)
Increase (decrease) in other payables	6,300	(45,666)
(Decrease) Increase in other current liabilities	(650)	553
Total changes in operating liabilities	<u>9,557</u>	<u>(101,931)</u>
Total changes in operating assets and liabilities	<u>102,369</u>	<u>57,417</u>
Total adjustments	<u>308,194</u>	<u>291,427</u>
Cash inflow generated from operations	265,460	332,594
Interest received	4,980	2,836
Interest paid	(15,078)	(27,796)
Income taxes paid	(3,200)	(9,520)
Net cash flows from operating activities	<u>252,162</u>	<u>298,114</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (CONT' D)

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollar)

	For the years ended December 31	
	2025	2024
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(48,644)	(29,344)
Proceeds from disposal of property, plant and equipment	30,154	7,775
Decrease in refundable deposits	3,096	-
Acquisition of intangible assets	(1,495)	(2,726)
Increase in other non-current assets	(36,829)	(34,632)
Net cash flows used in investing activities	<u>(53,718)</u>	<u>(58,927)</u>
Cash flows from financing activities:		
Increase in short-term loans	142,867	324,581
Decrease in short-term loans	(484,976)	(305,063)
Proceeds from long-term loans	-	81,173
Repayments of long-term loans	(259,709)	(295,104)
Decrease in guarantee deposits received	(78)	-
Repayments of lease liabilities	(2,200)	(2,721)
Cash dividends paid	(30,389)	(8,126)
Cash capital increase	448,000	-
Payments to acquire treasury shares	-	(15,950)
Net cash flows used in financing activities	<u>(186,485)</u>	<u>(221,210)</u>
Effect of exchange rate fluctuations on cash held	(2,881)	16,840
Net increase in cash and cash equivalents	9,078	34,817
Cash and cash equivalents, beginning of the period	449,309	414,492
Cash and cash equivalents, end of the period	<u><u>\$ 458,387</u></u>	<u><u>449,309</u></u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

(1) Company history

CHINA FINEBLANKING TECHNOLOGY CO., LTD. (the “Company”) was incorporated in November 1992. The major business activities of the Company are the manufacture and sale of hardware parts, mechanical hardware parts and molding components. The Company completed supplementary procedures for classification as a public company on August 18, 2008. The procedures were approved by the Financial Supervisory Commission R.O.C.(Taiwan) Securities and Futures Bureau. The Company’ s common shares were listed on GreTai Securities Market (Formerly known as the ROC Over-the-Counter Securities Exchange) on January 9, 2012. The address of its registered office and principal place of business is No.40, Xinggong Rd., Shengang Township, Changhua County, Taiwan (R.O.C.).

The consolidated financial statements comprise the Company and subsidiaries (together referred to as the “Group” and individually as “Group entities”).

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2026.

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IAS21 “Lack of Exchangeability”

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(4) Summary of material accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles for preparing 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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

- (ii) List of subsidiaries in the consolidated financial statements:

The detail information of the subsidiaries at the end of reporting period was as follows:

Investor	Subsidiary	Nature of business	Shareholding ratio		Notes
			December 31, 2025	December 31, 2024	
The Company	China Fineblanking Group Co., Ltd. (CFTC Group)	Investment activities	100.00%	100.00%	
The Company	CFTC Precision Sdn. Bhd. (CFTC Malaysia)	Property management	- %	100.00%	(1)
CFTC Group	China Fineblanking International Co., Ltd. (CFTC International)	Investment activities	100.00%	100.00%	
CFTC International	CFTC Precision (Jia-Xing) (CFTC Jia-Xing)	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	100.00%	100.00%	
CFTC International	CFTC (Huai-An) Limited (CFTC Huai-An)	Manufacture of mechanical parts and molding components	100.00%	100.00%	

Note 1: Since CFTC Precision Sdn. Bud have completed the phased milestone, the liquidation procedure of the company had been approved during the Company's board meeting held on January 14, 2022 in order to lower the cost of operation. The related liquidation procedure were completed on January 17, 2025.

- (iii) Subsidiaries excluded from consolidation financial statements: None.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

(d) Foreign currency

(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.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent that the hedges are effective.

(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 noncontrolling 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)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle ;
- (ii) It is held primarily for the purpose of trading ;
- (iii) It is expected to be realized within twelve months after the reporting period ; or
- (iv) The asset is cash and cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are assets that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in their fair value.

Time deposits are accounted under cash and cash equivalents if they are accord with the definition aforementioned, and are held for the purpose of meeting short-term cash commitment rather than for investment or other purpose should be recognized as cash equivalents.

(g) Financial instruments

Accounts receivable 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 an accounts 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. An accounts receivable without a significant financing component is initially measured at the transaction price.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

(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 and Fair value through profit or loss (FVTPL). 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 :

- a) it is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
- b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest 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 profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above (e.g. financial assets held for trading and those that are managed and whose performance is evaluated on a fair value basis) are measured at FVTPL, including derivative financial assets. Accounts receivable that the Group intends to sell immediately or in the near term are measured at FVTPL; however, they are included in the 'accounts receivable' line item. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

3) 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, notes and accounts receivable, other receivable and other financial assets) and trade receivables measured at FVOCI.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

- a) debt securities that are determined to have low credit risk at the reporting date; and
- b) 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 accounts receivable 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 overdue the payment terms.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months 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.

ECLs 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). ECLs 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 :

- a) significant financial difficulty of the borrower or issuer ;
- b) a breach of contract such as a default or being overdue the payment terms ;

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- c) 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 ;
- d) it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- e) 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. For corporate customers, 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 amount due.

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds denominated in TWD that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) 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.

6) 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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

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.

7) Offsetting of financial assets and liabilities

Financial assets and liabilities are presented on a net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities 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) 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 straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Buildings	
Plant main buildings	10~50 years
Other	5~50 years
Machinery	3~20 years
Molding equipment	2~5 years
Transportation equipment	3~10 years
Office and other equipment	2~20 years
Lease improvement	Whichever is shorter the lease period or the useful lives
Miscellaneous equipment	3~15 years

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

(j) Leases

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

(i) As a lessee

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

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

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

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

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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 of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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 of Office and other equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Intangible assets

(i) Recognition and measurement

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, including expenditure on internally generated goodwill and brands, 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 of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

Computer software	2~10 years
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Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(l) Impairment – non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets 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. Goodwill is tested annually for impairment.

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 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.

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.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****(m) 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.

(i) Sale of goods

The Group manufactures and sells hard disk drive components and auto parts. 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.

For contracts in which the control of the commodity has been transferred and the Group has the unconditional right to collect consideration, accounts receivable is recognized, while without the unconditional right to collect consideration, the contractual assets are recognized for the contracts that the control of the commodity has been transferred.

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.

(ii) Financial 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.

(n) Government grants and Government assistance

For low-interest loan obtained from a financial institution in accordance with the Government's project borrowing policy, the Group recognizes the difference between the fair valued of the loan, calculated at market rate, and the proceed received as deferred revenue, which is amortized as other income on a systematic basis. When the proceed of the loan is utilized to acquire assets, the difference is regarded as a deduction to the cost of acquired assets and amortized on a systematic basis as a reduction of depreciation expense.

(o) Employee benefits**(i) Defined contribution plans**

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

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****(ii) Short-term employee benefits**

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

(p) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognized in profit or loss.

Grant date of a share-based payment award is the date which the board of directors authorized the price and number of a new award.

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses that are related to business combinations, expenses recognized in equity or other comprehensive income directly, and other related expenses, 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 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 not recognized 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 (1) affects neither accounting nor taxable profits (losses) and (2) does not give rise to equal taxable and deductible temporary differences;

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

- (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; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

Disclosures are made of basic and diluted earnings per share attributable to ordinary equity holders of the Company. The basic earnings per share is calculated based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by 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 incur 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 assess its performance. Each operating segment consists of standalone financial information.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

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

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

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

(a) The loss allowance of accounts receivables

The Group has estimated the loss allowance of accounts 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(b).

(b) Valuation of inventories

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. Please refer to Note 6(c) for further description of the valuation of inventories.

The Group's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss.

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 Note 6(t), Financial instruments for assumptions used in measuring fair value.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash on hand and petty cash	\$ 87	169
Cash in banks	458,300	449,140
	<u>\$ 458,387</u>	<u>449,309</u>

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

(b) Notes and accounts receivable

	December 31, 2025	December 31, 2024
Notes receivable	\$ 72,937	94,529
Accounts receivable	623,321	653,713
Less: Loss allowance	(7,716)	(4,454)
	<u>\$ 688,542</u>	<u>743,788</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including macroeconomic and relevant industry information. The loss allowance provisions for the Group were determined as follows:

	December 31, 2025		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 649,061	0%	-
1 to 30 days past due	23,099	0.1%	23
31 to 60 days past due	7,368	5%	361
61 to 120 days past due	8,523	10%~20%	851
121 to 180 days past due	6,249	30%~73%	4,537
More than 181 days past due	1,958	70%~100%	1,944
	<u>\$ 696,258</u>		<u>7,716</u>

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2024		
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 712,064	0%	-
1 to 30 days past due	22,020	0.1%	22
31 to 60 days past due	4,969	5%	248
61 to 120 days past due	5,989	10%~16.43%	984
121 to 180 days past due	2,091	30%~100%	2,091
More than 181 days past due	1,109	70%~100%	1,109
	<u>\$ 748,242</u>		<u>4,454</u>

Please refer to Note 6(t) for the Group' s notes and accounts receivable exposure to credit risk and currency risk.

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

	For the years ended December 31	
	2025	2024
Balance at January 1	\$ 4,454	5,270
Impairment losses recognized (losses reversed)	3,124	(988)
Effects of changes in foreign exchange rates	138	172
Balance at December 31	<u>\$ 7,716</u>	<u>4,454</u>

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

(c) Inventories

	December 31, 2025	December 31, 2024
Raw materials	\$ 67,192	65,108
Work in progress	129,450	148,567
Finished goods	252,335	288,684
	<u>\$ 448,977</u>	<u>502,359</u>

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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For the years ended December 31, 2025 and 2024, the components of the cost of sales were as follows:

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Cost of goods sold	\$ 1,999,159	2,164,053
Reversal of write-downs (write-down of inventories)	1,302	(7,535)
Loss on scrap	10,433	14,286
Unallocated fixed manufacturing overhead	7,379	-
	<u>\$ 2,018,273</u>	<u>2,170,804</u>

During the year ended December 31, 2024, the reversal of write-downs was due to destocking of inventories.

As of December 31, 2025 and 2024, the Group did not provide any inventories as collateral for its loans.

(d) Prepayments

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Supplies inventory (including mold components and spare parts)	\$ 113,988	105,027
Other prepayments	24,264	39,848
	<u>\$ 138,252</u>	<u>144,875</u>

(e) Property, plant and equipment

The movements of the property, plant and equipment of the Group were as follows:

	<u>Buildings and construction</u>		<u>Machinery and equipment</u>		<u>Molds</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other facilities</u>	<u>Construction in progress and testing equip</u>	<u>Total</u>
	<u>Land</u>	<u>Land</u>	<u>Land</u>	<u>Land</u>						
Cost or deemed cost:										
Balance on January 1, 2025	\$ 479,357	761,545	1,798,466	293,254	8,005	46,050	8,481	1,850	3,397,008	
Additions	-	1,129	38,316	7,727	945	737	-	-	48,854	
Reclassification	-	1,639	7,471	6,660	94	479	-	(1,850)	14,493	
Disposal	-	(277)	(82,485)	(9,343)	(217)	(4,957)	-	-	(97,279)	
Effect of movements in exchange rates	-	1,751	4,368	1,003	64	(55)	-	-	7,131	
Balance on December 31, 2025	<u>\$ 479,357</u>	<u>765,787</u>	<u>1,766,136</u>	<u>299,301</u>	<u>8,891</u>	<u>42,254</u>	<u>8,481</u>	<u>-</u>	<u>3,370,207</u>	
Balance on January 1, 2024	\$ 479,357	744,193	1,724,251	326,105	8,450	49,055	8,481	210	3,340,102	
Additions	-	934	19,593	4,896	394	224	-	3,311	29,352	
Reclassification	-	1,671	25,659	11,758	-	-	-	(1,671)	37,417	
Disposal	-	-	(20,385)	(57,488)	(1,130)	(4,477)	-	-	(83,480)	
Effect of movements in exchange rates	-	14,747	49,348	7,983	291	1,248	-	-	73,617	
Balance on December 31, 2024	<u>\$ 479,357</u>	<u>761,545</u>	<u>1,798,466</u>	<u>293,254</u>	<u>8,005</u>	<u>46,050</u>	<u>8,481</u>	<u>1,850</u>	<u>3,397,008</u>	

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Buildings and construction</u>	<u>Machinery and equipment</u>	<u>Molds</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Other facilities</u>	<u>Construction in progress and testing equip</u>	<u>Total</u>
Depreciation and impairment loss:									
Balance on January 1, 2025	\$ -	193,615	1,140,425	272,118	6,933	39,422	4,669	-	1,657,182
Depreciation	-	30,013	106,666	19,269	269	2,139	439	-	158,795
Disposal	-	(218)	(51,859)	(9,314)	(196)	(4,314)	-	-	(65,901)
Effect of movements in exchange rates	-	1,333	4,899	1,145	31	13	-	-	7,421
Balance on December 31, 2025	<u>\$ -</u>	<u>224,743</u>	<u>1,200,131</u>	<u>283,218</u>	<u>7,037</u>	<u>37,260</u>	<u>5,108</u>	<u>-</u>	<u>1,757,497</u>
Balance on January 1, 2024	\$ -	158,986	999,537	298,135	7,208	39,799	4,229	-	1,507,894
Depreciation	-	29,952	125,152	20,707	493	2,648	440	-	179,392
Disposal	-	-	(16,424)	(54,102)	(1,017)	(4,000)	-	-	(75,543)
Effect of movements in exchange rates	-	4,677	32,160	7,378	249	975	-	-	45,439
Balance on December 31, 2024	<u>\$ -</u>	<u>193,615</u>	<u>1,140,425</u>	<u>272,118</u>	<u>6,933</u>	<u>39,422</u>	<u>4,669</u>	<u>-</u>	<u>1,657,182</u>
Carrying amounts:									
Balance on December 31, 2025	<u>\$ 479,357</u>	<u>541,044</u>	<u>566,005</u>	<u>16,083</u>	<u>1,854</u>	<u>4,994</u>	<u>3,373</u>	<u>-</u>	<u>1,612,710</u>
Balance on January 1, 2024	<u>\$ 479,357</u>	<u>585,207</u>	<u>724,714</u>	<u>27,970</u>	<u>1,242</u>	<u>9,256</u>	<u>4,252</u>	<u>210</u>	<u>1,832,208</u>
Balance on December 31, 2024	<u>\$ 479,357</u>	<u>567,930</u>	<u>658,041</u>	<u>21,136</u>	<u>1,072</u>	<u>6,628</u>	<u>3,812</u>	<u>1,850</u>	<u>1,739,826</u>

- (i) During 2025 and 2024, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of the factory of \$121 and \$342, calculated using a capitalization rate of 3.27% and 2.153%~3.65%.
- (ii) As of December 31, 2025 and 2024, the property, plant and equipment of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.
- (f) Right-of-use assets

The Group leased many assets including land and buildings, vehicles and office equipment leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Transportation equipment</u>	<u>Office equipment</u>	<u>Total</u>
Cost:				
Balance at January 1, 2025	\$ 35,080	4,100	1,126	40,306
Additions	-	2,374	287	2,661
Disposal	-	(1,707)	(330)	(2,037)
Effect of movements in exchange rates	142	-	-	142
Balance at December 31, 2025	<u>\$ 35,222</u>	<u>4,767</u>	<u>1,083</u>	<u>41,072</u>
Balance at January 1, 2024	\$ 33,897	5,624	1,042	40,563
Additions	-	1,707	454	2,161
Disposal	-	(3,231)	(370)	(3,601)
Effect of movements in exchange rates	1,183	-	-	1,183
Balance at December 31, 2024	<u>\$ 35,080</u>	<u>4,100</u>	<u>1,126</u>	<u>40,306</u>
Accumulated depreciation and impairment losses:				
Balance at January 1, 2025	\$ 5,650	2,263	553	8,466
Depreciation	910	1,968	238	3,116
Disposal	-	(1,707)	(292)	(1,999)
Effect of movements in exchange rates	60	-	-	60
Balance at December 31, 2025	<u>\$ 6,620</u>	<u>2,524</u>	<u>499</u>	<u>9,643</u>

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Land	Transportation equipment	Office equipment	Total
Balance at January 1, 2024	\$ 4,549	2,994	704	8,247
Depreciation	937	2,500	219	3,656
Disposal	-	(3,231)	(370)	(3,601)
Effect of movements in exchange rates	164	-	-	164
Balance at December 31, 2024	\$ 5,650	2,263	553	8,466
Carrying amounts:				
Balance at December 31, 2025	\$ 28,602	2,243	584	31,429
Balance at January 1, 2024	\$ 29,348	2,630	338	32,316
Balance at December 31, 2024	\$ 29,430	1,837	573	31,840

As of December 31, 2025 and 2024, the right-of-use assets of the Group had been pledged as collateral for long and short-term borrowings; please refer to Note 8.

(g) Other non-current assets

	December 31, 2025	December 31, 2024
Prepayments for equipment's	\$ 32,638	23,484
Guarantee deposits paid	821	3,917
Other non-current assets	54,316	56,441
	\$ 87,775	83,842

During 2025 and 2024, the Group has capitalized borrowing costs related to the acquisition of the equipment and construction of factory of \$59 and \$68, calculated using a capitalization rate of 2.278% and 2.153%~2.278%, respectively.

(h) Short-term borrowings

	December 31, 2025	December 31, 2024
Unsecured bank loans	\$ 45	289,038
Secured bank loans	45	58,214
Total	\$ 90	347,252
Unused short-term credit lines	\$ 1,292,942	1,031,425
Range of interest rates	3.20%~3.25%	2.22%~3.60%

(i) As of December 31, 2025 and 2024, the Group had borrowed the unsecured bank loans amounted to \$142,867 and \$324,581, and had been repaid at the amount of \$484,976 and \$305,063, respectively.

(ii) For the collateral for short-term borrowing, please refer to Note 8.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Other payables (including related parties)

	December 31, 2025	December 31, 2024
Payable on consumable materials	\$ 39,172	33,274
Outsourced processing expenses payable	128,331	125,934
Wages and salaries payable	51,735	52,501
Mold-processing expenses payable	2,773	680
Payable on machinery and repairing	16,314	16,311
Packing expenses payable	3,323	5,364
Payable on construction	3,392	3,248
Others	92,973	92,716
	<u>\$ 338,013</u>	<u>330,028</u>

(j) Bonds payable

The details of bonds payable were as follows:

	December 31, 2025	December 31, 2024
Secured convertible bonds	\$ 200,543	201,477
Unsecured convertible bonds	290,309	283,140
Less: current portion	(490,852)	-
Total	<u>\$ -</u>	<u>484,617</u>

(i) The details of convertible bonds were as follows:

	December 31, 2025	December 31, 2024
Total convertible corporate bonds issued	\$ 504,522	504,522
Unamortized discounted corporate bonds payable	(3,723)	(9,958)
Cumulative converted and redeemed amount	(9,947)	(9,947)
Less: current portion	(490,852)	-
Corporate bonds issued balance at year end	<u>\$ -</u>	<u>484,617</u>
Embedded derivative – redemption option (classified under financial assets at fair value through profit or loss—current and non – current)	<u>\$ -</u>	<u>-</u>
Equity component – conversion options, included in capital surplus – stock options	<u>\$ 22,553</u>	<u>22,553</u>

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On August 30 and August 31, 2023, the Group issued the three-year domestic secured convertible bonds with zero interest rate of \$200,000 for the fourth time and the three-year domestic unsecured convertible bonds with zero interest rate of \$304,522 for the fifth time, and the issuance information was as follows:

The fourth domestic secured convertible bonds	The fifth domestic unsecured convertible bonds
<ul style="list-style-type: none"> • The conversion price was \$33.39 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature. • From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination. • Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the bond denomination. 	<ul style="list-style-type: none"> • The conversion price was \$32.74 dollar per share, when it comes to adjusting conversion price of the Company's common share, it should adhere to the Company's conversion's rules. The conversion price change with formula within issuance details. These secured convertible bonds do not have reset feature. • From the day after the bond has been issued for three months to 40 days before the expiry, if the closing price of the Company's common shares listed on the Taipei Exchange exceeds or equals 30% of the conversion price for 30 consecutive days, or the outstanding balance of the bond is less than 10% of the original issuance then the Company will redeem the bonds based on the bond denomination. • Unless the bond has been redeemed before maturity, repurchased and cancelled or converted, the bonds will be redeemed by the Company on the maturity date at 101.5075% of the principal amount of the bond (the real yield is 0.5%).

(ii) For the details of collateral of convertible bonds, please refer to Note 8.

(iii) Please refer to note 6(s) for the interest expense for the years ended December 31, 2025 and 2024.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
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(k) Long-term borrowings

The details were as follows:

December 31, 2025				
	<u>Currency</u>	<u>Rate</u>	<u>Maturity date</u>	<u>Amount</u>
Unsecured bank loans	TWD	2.357%	2026.06.01	\$ 10,000
Secured bank loans	TWD	0.83%~2.28%	2026.03.15~2039.10.31	488,908
				<u>498,908</u>
Less: current portion				<u>(87,130)</u>
Total				<u>\$ 411,778</u>
Unused long-term credit lines				<u>\$ 45,000</u>
December 31, 2024				
	<u>Currency</u>	<u>Rate</u>	<u>Maturity date</u>	<u>Amount</u>
Unsecured bank loans	TWD	0.93%~2.43%	2025.05.11~2028.05.18	\$ 142,034
Secured bank loans	TWD	0.83%~2.28%	2026.03.15~2039.10.31	\$ 584,623
Secured bank loans	CNY	3.45%	2026.05.03	31,257
				<u>757,914</u>
Less: current portion				<u>(190,431)</u>
Total				<u>\$ 567,483</u>
Unused long-term credit lines				<u>\$ 239,200</u>

(i) For the collateral for long-term borrowings, please refer to Note 8.

(ii) As of December 31, 2025 and 2024, the Group had borrowed the secured and unsecured bank loans of amounted to \$0 and \$81,173; and had been repaid at the amounts of \$259,079 and \$295,104, respectively.

(l) Lease liabilities

The carrying amount of lease liabilities of the Group were as follows:

	December 31, 2025	December 31, 2024
Current	<u>\$ 1,046</u>	<u>1,741</u>
Non-current	<u>\$ 1,818</u>	<u>702</u>

For the maturity analysis, please refer to Note 6(t).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31	
	2025	2024
Interest on lease liabilities	<u>\$ 81</u>	<u>67</u>
Expenses relating to short-term leases	<u>\$ 3,299</u>	<u>4,582</u>

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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The amounts recognized in the statement of cash flows for the Group were as follows:

	For the year ended December 31	
	2025	2024
Total cash outflow for leases	\$ 5,580	7,370

The Group leases machinery equipment for a period between 1 to 3 years. Some leases include an option to renew the lease for on additional period after the end of the contract term.

(m) Employee benefits

(i) Defined contribution plans

The Group allocates 6.00% 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 Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

For the years ended December 31, 2025 and 2024, the pension costs incurred from the contributions to the Bureau of Labor Insurance as follows:

	For the years ended December 31	
	2025	2024
Operating costs	\$ 3,193	3,323
Selling expenses	2,078	1,734
	\$ 5,271	5,057

(ii) For the years ended December 31, 2025 and 2024, the foreign subsidiary recognized pension costs according to local laws as follows:

	For the years ended December 31	
	2025	2024
Operating costs	\$ 20,367	22,043
Selling expenses	6,137	6,384
Total	\$ 26,504	28,427

(n) Income taxes

(i) The components of income tax in the years 2025 and 2024 were as follows:

	For the years ended December 31	
	2025	2024
Current tax expense (benefit)		
Current period	\$ 927	6,386
Adjustment for prior periods	110	(2,499)
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	(9,637)	1,998
Income tax expense (benefit)	\$ (8,600)	5,885

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(ii) Reconciliations of income tax and profit before tax for 2025 and 2024 were as follows:

	For the years ended December 31	
	2025	2024
Profit (loss) excluding income tax	\$ (42,734)	41,167
Income tax the Company's domestic tax rate	(8,546)	8,234
Effect of tax rates in foreign jurisdiction	(6,984)	(688)
Non-deductible expenses	426	1,368
Research and development expenses deduction	(1,920)	(4,630)
Adjustment in recognized temporary differences	7,365	4,073
(Overestimation) underestimation in prior period	110	(2,499)
Undistributed earnings additional tax	927	-
Others	22	27
	\$ (8,600)	5,885

(iii) The amount of income tax recognized in other comprehensive income (loss) for the years ended December 31, 2025 and 2024 was as follows:

	For the years ended December 31	
	2025	2024
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statement	\$ 798	12,826

(iv) Deferred tax assets and liabilities

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

	Inventory valuation losses	Deductible losses	Other	Total
Deferred tax assets:				
Balance at January 1, 2025	\$ 6,097	28,888	7,846	42,831
Recognized in profit or loss	(1,460)	51,105	(276)	49,369
Recognized in other comprehensive income	-	-	(798)	(798)
Disposal of a subsidiary	-	-	2,420	2,420
Exchange differences on translation of foreign financial statement	(16)	277	7	268
Balance at December 31, 2025	\$ 4,621	80,270	9,199	94,090

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Inventory valuation losses	Deductible losses	Other	Total
Balance at January 1, 2024	\$ 6,676	43,512	21,110	71,298
Recognized in profit or loss	(750)	(15,416)	(481)	(16,647)
Recognized in other comprehensive income	-	-	(12,826)	(12,826)
Exchange differences on translation of foreign financial statement	171	792	43	1,006
Balance at December 31, 2024	\$ 6,097	28,888	7,846	42,831

	Investment income overseas	Other	Total
Deferred tax liabilities:			
Balance at January 1, 2025	\$ 68,007	-	68,007
Recognized in profit or loss	39,732	-	39,732
Balance at December 31, 2025	\$ 107,739	-	107,739
Balance at January 1, 2024	\$ 81,429	1,227	82,656
Recognized in profit or loss	(13,422)	(1,227)	(14,649)
Balance at December 31, 2024	\$ 68,007	-	68,007

- (v) The Company's income tax returns for the years through 2023 were assessed by the tax authorities.
- (o) Capital and other equity
- (i) Ordinary shares

As of December 31, 2025 and 2024, the number of authorized share capital were \$150,000 thousand shares with par value \$10 dollar per share. The total value of authorized share capital amounted to \$1,500,000. Issued ordinary shares are 106,849 thousand shares and 86,849 thousand shares, respectively.

The reconciliation of shares outstanding for 2025 and 2024 was as follows:

	(in thousands of shares)	
	Ordinary Shares	
	2025	2024
Balance on January 1	86,849	86,312
Cash capital increase	20,000	-
Capital increase by conversion of convertible bonds	-	293
Capital increase by retained earnings	-	244
Balance on December 31	106,849	86,849

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Due to the conversion right of the bondholder in 2023, the Company converted the convertible bonds into \$9 thousand new shares, with par value of \$NTD10 per share, amounting to \$93. The relevant statutory registration procedures have since been completed by March 25, 2024.

Due to the conversion right of the bondholder in 2024, the Company converted the convertible bonds into \$293 thousand new shares, with par value of \$NTD10 per share, amounting to \$2,934. The relevant statutory registration procedures have since been completed by September 10, 2024.

A resolution was passed during the general meeting of shareholders held on May 30, 2024 for the issuance of 244 thousand new shares by retained earnings with par value of \$10 dollar per share, amounting to \$2,438. On October 16, 2024, the chairman of the Board of Directors authorized the increase of capital by the Board of Directors on August 10, 2024 to set the capital increase record date as November 17, 2024. The relevant statutory registration procedures have since been completed by December 6, 2024.

A resolution was passed during the extraordinary general meeting of shareholders held on February 10, 2025, for the purpose of strengthening working capital and repaying bank borrowings, for the issuance of ordinary shares for cash under private placement in one to two tranches within one year, with the number of shares issued to not exceed 30,000 thousand. Subsequently, a resolution was passed during the board meeting held on February 10, 2025 for the issuance of 20,000 thousand ordinary shares under private placement, with par value of \$10 per share; the subscription price per share was determined to be \$22.4, amounting to \$448,000 thousand, with February 24, 2025 as the date of capital increase. The relevant statutory registration procedures have since been completed by March 17, 2025. Furthermore, on November 10, 2025, the Board of Directors approved that no further actions would be taken in respect of the remaining 10,000 thousand authorized shares for the remainder of the issuance period.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43(8) requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded on the Taiwan Stock Exchange after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2025	December 31, 2024
Premium from issuing new shares	\$ 551,851	303,851
Premium from converting bonds	213,324	213,324
Share-based payment	33,259	33,259
Treasury share transactions	2,360	2,360
Issuance of convertible bonds	31,891	31,891
	\$ 832,685	584,685

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

(iii) Retained earnings

In accordance with the Company's Articles of Incorporation, if the Company has earnings for the year, after paying taxes and offsetting accumulated losses, the remaining amount shall first be added to the current year's net profit after tax and the unappropriated retained earnings carried forward from previous years. Twenty percent of the resulting amount shall then be appropriated as legal reserve. However, when the accumulated legal reserve reaches the amount of the Company's paid-in capital, no further appropriation is required. Any remaining amount shall be appropriated as special reserve in accordance with applicable laws or regulations. If there is still a remainder after such appropriations, the Board of Directors shall prepare a proposal for earnings distribution, which shall be submitted to the shareholders' meeting for approval of dividends or bonuses.

If the Company distributes dividends and bonuses or legal reserve and all or part of capital surplus by way of cash distribution, the authorization should be made by the Board of Directors with the presence more than two-thirds of the Directors and the consent of a majority of the directors present, and the distribution should be reported to the shareholders' meeting.

On May 28, 2025, the Company resolved at the shareholders' meeting to amend its Articles of Incorporation. After the amendment, the Company's dividend policy is as follows: Based on the Company's current financial conditions and future development plans, and taking into consideration the investment environment, capital requirements, and international competitive conditions, while also balancing the interests of shareholders, the Company shall distribute no less than 10% of the distributable earnings of each year as dividends to shareholders. When the newly generated distributable earnings for the current year fall below 1% of the paid-in capital, no distribution may be made. Dividends to shareholders may be distributed in the form of cash or shares, provided that cash dividends constitute no less than 10% of the total dividend amount. The Articles of Incorporation prior to the amendment stipulated that the Company's dividend policy, in accordance with current and future development plans, taking into account the investment environment, capital requirements, and the international competitive conditions, while also balancing the interests of shareholders, shall allocate no less than 10% of the distributable earnings each year for the payment of dividends to shareholders; however, no distribution shall be made if the accumulated distributable earnings are less than 1% of the paid-in capital. Dividends may be distributed to shareholders in the form of cash or shares, with cash dividends constituting no less than 10% of the total dividend amount.

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

The Company has selected to apply the optional exemptions according to IFRS 1 "First-time Adoption of International Financial Reporting Standards" .

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A special reserve was appropriate from the accumulated conversion adjustment (benefits) under equity transferred to retained earnings is \$52,050. The special reserve appropriated can be reversed to the extent that the net debit balance reverses.

In accordance with the aforesaid Rule, a special reserve is set aside from the current years' net income after tax and prior year' s undistributed earnings at an amount equal to the debit balance of contra accounts in shareholders' equity. When the debit balance of any of these contra accounts in shareholders' equity is reversed, the related special reserve can be reversed. The subsequent reversals of contra accounts in shareholder' s equity shall qualify for additional distributions. As of December 31, 2025 and 2024, the special reserve appropriated from the undistributed earnings amounted to \$73,061 and \$124,368.

3) Earnings distribution

The amounts of cash dividends on the 2024 and 2023 earnings distributions had been approved during the Board of Directors' meetings on March 12, 2025 and March 25, 2024, respectively, as well as during the shareholders' meeting on May 30, 2024. Furthermore, the amounts of share dividends on the 2023 earnings distribution had been approved during the shareholders' meeting on May 30, 2024. The relevant dividend distributions to shareholders were as follows. Relevant information is available on the Market Observation Post System.

	2024		2023	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 0.30	30,389	0.10	8,126
	dollar		dollar	
Share	-	-	0.03	2,438
	dollar		dollar	
Total		<u>\$ 30,389</u>		<u>10,564</u>

On March 12, 2026, the Board of Directors resolved not to distribute earnings for the year 2025.

(iv) Treasury shares

At August 10, 2024, the Company decided to repurchase shares (the fifteenth time) as treasury shares by the propose of the Board of Directors. The Company expected to repurchase 1,000,000 shares between August 12, 2024 to October 11, 2024. The expected range of repurchased price is between \$21.39 dollar to \$49.65 dollar TWD. The Company had repurchased 500,000 shares, and the actual average share price was \$31.90 dollar TWD per share. The total amount of shares repurchased was \$15,590.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

According to the Securities and Exchange Act, the proportion of the shares which the Company repurchased shall not exceed 10% of the total number of shares the Company have issued. And the total amount of shares shall not exceed the total amount of retained earnings, premium from issuing new shares and realized capital surplus.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

The Company changes of treasury share as follows:

(in thousands of shares)

	Treasury shares	
	2025	2024
Balance at Beginning	5,554,000	5,054,000
Increase in the period	-	500,000
Balance at Ending	5,554,000	5,554,000

(v) Other equity items

	Exchange differences on translation of foreign financial statements	
Balance at January 1, 2025	\$	(73,060)
Exchange differences on foreign operations		3,191
Balance at December 31, 2025	\$	(69,869)
Balance at January 1, 2024	\$	(124,368)
Exchange differences on foreign operations		51,308
Balance at December 31, 2024	\$	(73,060)

(p) Earnings per share

The details on the calculation of basic earnings per share and diluted earnings per share were as follows:

	For the years ended December 31	
	2025	2024
Basic earnings per share		
Profit/(loss) attributable to ordinary shareholders of the Company	\$ (34,134)	35,282
Weighted average number of ordinary (thousands shares)	98,328	81,468
Basic earnings per share (dollars)	\$ (0.35)	0.43

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>2024</u>
Diluted earnings per share	
Profit attributable to ordinary shareholders of the Company	\$ 35,282
Effect of dilutive potential ordinary shares	
Interest expense on convertible bonds, net of tax	<u>4,949</u>
Profit/(loss) attributable to ordinary shareholders of the Company (diluted)	<u>\$ 40,231</u>
Weighted average number of ordinary (thousands shares)	81,468
Effect of dilutive potential ordinary shares	
Effect of employee share bonus (thousands shares)	33
Effect of conversion of convertible bonds (thousands shares)	<u>15,153</u>
Weighted average number of ordinary (Including adjustment of effect of dilutive potential ordinary shares) (thousands shares)	<u>96,654</u>
Diluted earnings per share (dollars)	<u>\$ 0.42</u>

Note: Potential common shares were not included in the calculation of diluted EPS due to the inclusion of potential common shares would have an anti-dilutive effect in 2025, which was a net loss.

(q) Revenue from contracts with customers

(i) Details of revenue

	<u>For the year ended December 31, 2025</u>				
	<u>Parts of HDD</u>	<u>Parts of vehicles</u>	<u>Management & operations</u>	<u>Total</u>	
Major products/services lines:					
Sales of goods	\$ 453,272	1,792,583	47,019	2,292,874	
Other sales revenue	-	-	7,684	7,684	
Total	<u>\$ 453,272</u>	<u>1,792,583</u>	<u>54,703</u>	<u>2,300,558</u>	
Timing of revenue recognition:					
Products transferred at a point in time	<u>\$ 453,272</u>	<u>1,792,583</u>	<u>54,703</u>	<u>2,300,558</u>	
	<u>For the year ended December 31, 2024</u>	<u>Parts of HDD</u>	<u>Parts of vehicles</u>	<u>Management & operations</u>	<u>Total</u>
Major products/services lines:					
Sales of goods	\$ 587,676	1,875,540	36,606	2,499,822	
Other sales revenue	-	-	72,758	72,758	
Total	<u>\$ 587,676</u>	<u>1,875,540</u>	<u>109,364</u>	<u>2,572,580</u>	
Timing of revenue recognition:					
Products transferred at a point in time	<u>\$ 587,676</u>	<u>1,875,540</u>	<u>109,364</u>	<u>2,572,580</u>	

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Contract balances

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>January 1, 2024</u>
Notes receivables	\$ 72,937	94,529	85,200
Account receivables	623,321	653,713	711,477
Less: Loss allowance	<u>(7,716)</u>	<u>(4,454)</u>	<u>(5,270)</u>
Total	<u>\$ 688,542</u>	<u>743,788</u>	<u>791,407</u>
Contract assets—products selling	<u>\$ 71,966</u>	<u>57,369</u>	<u>58,917</u>
Contract liabilities—advance sales receipts	<u>\$ 14,992</u>	<u>9,132</u>	<u>10,776</u>

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

(r) Employee compensation and directors' and supervisors' remuneration

On May 28, 2025, the shareholders' meeting resolved to amend the Company's Articles of Incorporation. According to the amended Articles, when the Company has earnings for the year, no less than 2% of the earnings shall be allocated as employee compensation (wherein the amount of employee compensation shall not be less than 30% for entry-level employees), and no more than 5% shall be allocated as director compensation; however, if the Company has accumulated losses, such losses shall first be offset. The aforementioned employee compensation, whether in the form of shares or cash, shall be approved by a resolution of the Board of Directors passed with the attendance of at least two-thirds of the directors and the consent of a majority of the directors present, and shall be reported to the shareholders' meeting. The recipients of the employee compensation referred to in the preceding paragraph, whether in the form of shares or cash, include employees of controlling or subsidiaries who meet certain conditions. The Articles of Incorporation prior to the amendment stipulated that, if the Company has earnings for the year, no less than 2% shall be allocated for employee compensation and no more than 5% for director compensation. However, if the Company has accumulated losses, the amount necessary to offset such losses shall be set aside in advance. The aforementioned employee compensation, whether in the form of shares or cash, shall be approved by a resolution of the Board of Directors passed by a majority of the directors present, provided that at least two-thirds of the directors are present, and shall be reported to the shareholders' meeting. The recipients of such employee compensation, whether in the form of shares or cash, shall include employees of controlling or subsidiaries who meet certain conditions. For the year 2024, since the Company incurred a net loss before tax and, consequently, no earnings were available for distribution, no employee compensation or directors' compensation was accrued. In 2023, the estimated amounts of employee compensation and directors' compensation were \$909 thousand and \$454 thousand, respectively. Both were recognized under operating expenses. The actual amounts approved by the shareholders' meeting were consistent with the estimates; therefore, no adjustments were required. If the actual distributed amounts differ from the previously estimated amounts, such differences would be adjusted and recognized in profit or loss in the year of approval.

For the year 2024, the amounts of employee compensation and directors' compensation recognized by the Company were consistent with the amounts actually distributed. Relevant information can be found on the Market Observation Post System (MOPS). As the Company incurred a net loss before tax for the year 2023, no employee compensation or directors' compensation was accrued.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(s) Non-operating income and expenses

(i) Interest income

The details of interest income were as follows:

	For the years ended December 31	
	2025	2024
Interest income	\$ 4,980	2,836

(ii) Other income

The details of other income were as follows:

	For the years ended December 31	
	2025	2024
Other income	\$ 53,815	31,080

Other income is mainly subsidy, sample and rental income.

(iii) Other gains and losses

The details of other gains and losses were as follows:

	For the years ended December 31	
	2025	2024
Losses on disposals of property, plant and equipment	\$ (1,224)	(162)
(Loss) gain on foreign currency exchange	(5,859)	14,971
Others	(2,337)	(3,830)
	\$ (9,420)	10,979

Due to the leased equipment, the Group incurred depreciation expenses in 2025 and 2024 and reported them under other gains and losses amounting to \$4,145 and \$4,389, respectively.

For the years ended 2025 and 2024, the Group incurred amortization expenses of \$2,365 and \$2,351, respectively, due to the leased equipment, and these amounts were stated as non-operating income and expenses.

(iv) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2025	2024
Interest expense	\$ 17,233	30,698
Amortization of discounts of bond	6,235	6,186
Less: interest capitalized	(180)	(410)
	\$ 23,288	36,474

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(t) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk. The maximum amount was both \$1,272,423 and \$1,305,391 in 2025 and 2024.

2) Concentration of credit risk

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments (such like sales receipts and insurance) will be taken at the appropriate time.

3) Credit risk of receivables and debt securities

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

Other financial assets at amortized cost includes other receivables. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected credit losses. The certificates of deposit owned by the Group are considered to have low risk because of the trade partners and performance partners are financial institutions above investment grade. As a result, they did not make allowance for loss.

(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 years	1-3 years	3-5 years	Over 5 years
December 31, 2025						
Non-derivative financial liabilities						
Short-term loans	\$ 90	90	90	-	-	-
Accounts payable	320,085	320,085	320,085	-	-	-
Other payables	338,013	338,013	338,013	-	-	-
Bonds payable(including the ones expired within 1 year or an operating cycle)	490,852	494,575	494,575	-	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	498,908	556,550	95,473	133,471	74,936	252,670
Lease liabilities	2,864	2,988	1,101	1,286	601	-
	\$ 1,650,812	1,712,301	1,249,337	134,757	75,537	252,670

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Over 5 years</u>
December 31, 2024						
Non-derivative financial liabilities						
Short-term loans	\$ 347,252	350,332	350,332	-	-	-
Accounts payable(including related parties)	320,489	320,489	320,489	-	-	-
Other payables (including related parties)	330,028	330,028	330,028	-	-	-
Bonds payable	484,617	494,575	-	494,575	-	-
Long-term loans (including the ones expired within 1 year or an operating cycle)	757,914	830,926	201,654	251,350	95,102	282,820
Lease liabilities	2,443	2,492	1,774	593	125	-
	<u>\$ 2,242,743</u>	<u>2,328,842</u>	<u>1,204,277</u>	<u>746,518</u>	<u>95,227</u>	<u>282,820</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk were as follows:

	<u>December 31, 2025</u>			<u>December 31, 2024</u>		
	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>TWD</u>	<u>Foreign Currency</u>	<u>Exchange Rate</u>	<u>TWD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:TWD	\$ 6,000	31.43	188,587	5,762	32.7850	188,911
USD:CNY	11,153	6.9907	350,543	9,112	7.3213	298,751
EUR:CNY	806	8.2073	29,753	446	7.6239	15,237
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:TWD	51	31.43	1,614	85	32.7850	2,794
USD:CNY	14	6.9907	436	14	7.3213	455
JPY:CNY	262	0.0447	53	17	0.0469	3

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable; and accounts and other payables that are denominated in foreign currency.

A strengthening (weakening) of 1% of the TWD against the USD, JPY, and CNY in 2025 and 2024, would have increased (decreased) the net profit after tax by \$4,534 and \$3,997, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same for 2024.

3) Foreign exchange gain and loss on monetary items

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For years 2025 and 2024, foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$(5,859) and \$14,971, respectively.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Group' s financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year.

If the interest rate had increased / decreased by 10 basis points, the Group' s net income would have increased / decreased by \$399 for the year ended December 31, 2025 and \$884 for the year ended December 31, 2024, with all other variable factors remaining constant. This is mainly due to the Group' s borrowing at variable rates.

(v) Fair value information

1) Fair value and type of financial instruments

The fair value of financial assets at fair value through profit or loss, financial instruments used for hedging, and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Group' s financial assets, 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 lease liabilities, disclosure of fair value information is not required:

	December 31, 2025				
	Book Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 458,387	-	-	-	-
Notes and accounts receivables	688,542	-	-	-	-
Other receivables	53,615	-	-	-	-
Total	\$ 1,200,544	-	-	-	-
Financial liabilities at amortized cost					
Short-term and long-term borrowings (including current portion)	\$ 498,998	-	-	-	-
Accounts payable	320,085	-	-	-	-
Other payables	338,013	-	-	-	-
Lease liabilities (including non-current portion)	2,864	-	-	-	-
Bonds payables (including current portion)	490,852	-	488,605	-	488,605
Total	\$ 1,650,812	-	488,605	-	488,605

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2024				
	<u>Book Value</u>	<u>Fair Value</u>			<u>Total</u>
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 449,309	-	-	-	-
Notes and accounts receivables	743,788	-	-	-	-
Other receivables	55,094	-	-	-	-
Total	\$ 1,248,191	-	-	-	-
Financial liabilities at amortized cost					
Short-term and long-term borrowings (including current portion)	\$ 1,105,166	-	-	-	-
Accounts payable (including related parties)	320,489	-	-	-	-
Other payables (including related parties)	330,028	-	-	-	-
Lease liabilities (including non-current portion)	2,443	-	-	-	-
Bonds payables	484,617	-	482,615	-	482,615
Total	\$ 2,242,743	-	482,615	-	482,615

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

3) There have been no transfers from each level for the years ended December 31, 2025 and 2024.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(u) Financial risk management

(i) Overview

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

- 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 risk exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Group' s major targets of financial risk management were to manage the market risk, credit risk, and liquidity risk regarding operation activities. The Group identifies, evaluates and manages the aforesaid risk in accordance with its policies and risk preferences.

(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 accounts and notes receivables from customers, contract assets, cash in banks and various financial instruments.

1) Accounts and other receivables

Credit risk is managed by each business unit subject to the Group' s established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group' s internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments(such like sales receipts and insurance) will be taken at the appropriate time.

The Group sets a loss allowance for expected credit losses to reflect the estimated loss on accounts receivable. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. However, the Group does not centralize its sales to any single customer, therefore the credit risks of accounts receivables do not significantly concentrate.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements**

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organizations and financial institutions with good credit rating. There was no material doubt on contract performance so there was no material credit risk.

(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.

As of December 31, 2025 and 2024, the Group's unused credit line were amounted to \$1,337,942 and \$1,270,625, respectively.

(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.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the TWD, US Dollar (USD), Chinese Yuan (CNY), and Japanese Yuan (JPY). The currencies used in these transactions are the TWD, USD, CNY and JPY.

The interest is denominated in the same currency as borrowings. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, which are mainly TWD, CNY and USD. This provides an economic hedge without derivatives being entered into, and therefore, hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Interest rate risk

The Group is exposed to fair value risk and cash flow risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(v) Capital management

The Group's objectives for managing capital to safeguard the capacity to continue to operate, to continue to provide a return on shareholders, to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

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 interest plus net debt.

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

	December 31, 2025	December 31, 2024
Total liabilities	\$ 1,777,130	2,328,326
Less: cash and cash equivalents	<u>(458,387)</u>	<u>(449,309)</u>
Net debt	<u>\$ 1,318,743</u>	<u>1,879,017</u>
Total equity	<u>\$ 1,917,498</u>	<u>1,530,830</u>
Adjusted equity	<u>\$ 3,236,241</u>	<u>3,409,847</u>
Debt-to-equity ratio at 31 December	<u>40.75%</u>	<u>55.11%</u>

As of December 31, 2025, the capital management method of the Group has no change.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Flourish Precision Machining Co., Ltd. (Flourish Precision)(Note 1)	The entity' s director is the same person as the director of the Company's subsidiary
Yung-Hung Engineering Ltd. (Yung-Hung Engineering)(Note 2)	The entity' s owner is the chairman of the Company
Feng-Jia Industry Co., Ltd. (Feng-Jia Industry)(Note 2)	The entity' s director is second-degree relative of the Chairman of the Company
Ping-Ho Environmental Technology Co., Ltd. (Ping-Ho Environmental)(Note 2)	The entity' s general manager is second-degree relative of the Chairman of the Company
Cingjing Exhibition Industry Co., Ltd. (Cingjing Exhibition Industry)(Note 2)	The entity' s director is second-degree relative of the Chairman of the Company

Note 1: Since the representative of the corporate director was changed, the individual ceased to be a related party as of August 4, 2025.

Note 2: Since the representative of the corporate director was changed, the individual ceased to be a related party as of May 28, 2025.

(b) Significant transactions with related parties

(i) Purchases

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

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Other related – Flourish Precision	<u>\$ 6,102</u>	<u>5,611</u>

The purchase price to the above related parties was determined through mutual agreement based on the market rates. The trade credit terms for related parties and third-party suppliers were similar. The trade credit term of Flourish Precision was 90 days.

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Relationship</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts payables	Other related – Flourish Precision	\$ -	2,467
Other payables	Other related – Flourish Precision	-	15,837
Other payables	Other related – Feng-Jia Industry	-	12
Other payables	Other related – Yung-Hung Engineering	-	111
Other payables	Other related – Ping-Ho Environmental	-	2,770
Other payables	Other related – Cingjing Exhibition Industry	-	361
		<u>\$ -</u>	<u>21,558</u>

(iii) Other

- 1) Due to operational requirements, the Group entrusts Flourish precision for the processing of its products. During 2025 and 2024, the manufacturing overhead-outsourced amounted to \$20,891 and \$48,911, respectively.
- 2) Due to operation requirements, the Group purchased chemicals and consumables from Feng-Jia Industry in 2025 and 2024 and reported manufacturing overhead amounted to \$14 and \$39, respectively.
- 3) Due to operational requirements, the Group appointed Ping-Ho Environmental to provide wastewater treatment services in 2025 and 2024 and reported manufacturing overhead amounted to \$3,863 and \$12,510 respectively.
- 4) Due to operational requirements, the Group purchased items required for the manufacturing process from Yung-Hung Engineering in 2025 and 2024 and reported manufacturing overhead amounting to \$62 and \$217, respectively.
- 5) In 2025 an 2024, the Group appointed Cingjing Exhibition Industry to handle sludge, incurring expenses amounting to \$414 and \$912, respectively, which were reported as manufacturing overhead.

(c) Key management personnel compensation

	<u>For the years ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 19,938	15,479
Post-employment benefits	181	184
	<u>\$ 20,119</u>	<u>15,663</u>

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(8) Pledged assets:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Other receivables – restricted deposit	Collateral for loans and bonds payables	\$ 41,655	43,391
Other receivables – certificate of deposit	Natural gas guarantee	400	400
Property, plant and equipment	Collateral for loans and bonds payables	884,115	947,505
Right-of-use assets	"	17,512	29,128
		<u>\$ 943,682</u>	<u>1,020,424</u>

(9) Commitments and contingencies:None**(10) Losses due to major disasters:None****(11) Subsequent events:**

On March 12, 2026, the Board of Directors resolved that, in order to meet the Company' s funding requirements for corporate bonds and the repayment of bank borrowings, the Company intends to conduct a cash capital increase and issue common shares for the fiscal year 2026.

The proposed cash capital increase will be for up to 25,000 thousand shares, each with a par value of NT\$10, for a total par value not exceeding NT\$250,000 thousand.

(12) Other:

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

By item	By function	For the year ended December 31					
		2025			2024		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		\$ 299,108	135,467	434,575	308,648	132,036	440,684
Labor and health insurance		22,924	8,681	31,605	23,302	7,797	31,099
Pension		23,560	8,215	31,775	25,366	8,118	33,484
Remuneration of directors		-	598	598	-	766	766
Others		15,873	7,761	23,634	16,422	10,678	27,100
Depreciation		131,610	26,156	157,766	150,603	28,056	178,659
Amortization		12,016	8,673	20,689	11,317	6,114	17,431

In 2025 and 2024, the depreciation expense resulting from renting out equipment was \$4,145 and \$4,389, respectively, which was recorded under other gains and losses.

In 2025 and 2024, the Group incurred amortization expenses of \$2,365 and \$2,351, respectively, due to the leased molds, and these amounts were stated as non-operating income and expenses.

(Continued)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	CFTC Jin-Xing	CFTC Huai-An	Other receivables	Yes	51,504	-	53,952		Note 2	-	The operating turnover	-	-	-	690,847	690,847

Note 1: The Company or business with business relationship with it.

Note 2: CFTC Jia-Xing requires a short-term financing with it.

Note 3: CFTC Jia-Xing's limit on total amount and amount to single party of loans to others is 40% of net assets in latest audited or reviewed financial statements of CFTC Jia-Xing.

Note 4: Must not be lower than the average interest rate of borrowing from banks.

(ii) Guarantees and endorsements for other parties: None

(iii) Material securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures): None

(iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

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

(vi) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 3: The calculations of the percentage that total transaction amount takes of the consolidated sales or assets, can be calculated by dividing the ending balance by the consolidated assets if there is an account in balance sheet, or by dividing the accumulated amount by the consolidated sales if there is an account in income statement.

Note 4: Reconciled in the preparation of consolidated report.

(b) Information on investees:

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

(In Thousands of New Taiwan Dollars/ thousand shares)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2025	December 31, 2024	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	China Fineblanking Group Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	1,758,918	100.00%	(34,964)	(32,742)	Note 1 Note 2
The Company	CFTC Precision Sdn. Bhd.	Malaysia	Property management	-	MRY 30,288	-	- %	-	100.00%	-	-	
China Fineblanking Group Co., Ltd.	China Fineblanking International Co., Ltd.	Samoa Islands	Investment activities	USD 40,080	USD 40,080	40,080	100.00%	USD 56,047	100.00%	USD (1,123)	-	Note 1

Note 1: Reconciled in the preparation of consolidated report.

Note 2: The current net income or loss included the influences of upstream and downstream transactions within the associates.

(c) Information on investment in Mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2025	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2025	Net income (losses) of the investee	Percentage of ownership	Highest percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
CFTC Jia-Xing	Manufacture and sale of hardware parts, mechanical hardware parts and molding components	RMB 324,995 (USD48,200)	(Note1)	1,173,787 (USD37,500)	-	-	1,173,787 (USD37,500)	(18,322) (USD589)	100.00%	100.00%	(18,322) (USD589)	1,727,117 (USD54,951)	122,355 (USD3,933)
CFTC Huai-An	Manufacture of mechanical parts and molding components	RMB 17,131 (USD2,580)	(Note1)	82,131 (USD2,580)	-	-	82,131 (USD2,580)	(16,642) (USD535)	100.00%	100.00%	(16,642) (USD535)	33,811 (USD1,076)	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
1,255,918	1,596,015 (USD50,780)	NA (Note 2)

Note 1: The Company invest in Mainland China companies through a company invested and established in a third region.

Note 2: In accordance with the provisions of the “Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area” passed on August 29, 2008, the Company has acquired the Business Operation Headquarter Certificate issued by the Industrial Development Bureau of the Ministry of Economic Affairs, which exempts the Company from the limitation of the amount or ratio of investment in mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in “Information on significant transactions” and “Business relationships and Significant intercompany transactions” .

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information

The Group has three reportable segments: segment of HDD parts, segment of vehicle parts, and segment of management and operation. Segment HDD parts produce and sells HDD parts. Segment of vehicle parts produces and sells vehicle parts. Segment of management and operation is involved in business items other than the operation of the above two segments, and reinvestment business.

The reportable segments are the Group' s strategic divisions. They offer different products and services, and are managed separately because they require different technology and marketing strategies. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains being employed by the Group.

(b) Information about reportable segments and their measurement and reconciliations

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity and foreign exchange gain or losses, because taxation extraordinary activity, and foreign exchange gain or losses are managed on a group basis, and hence they are not able to be allocated to each reportable segment. In addition, not all reportable segments include depreciation and amortization of significant non-cash items. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 “significant accounting policies” except for the recognition and measurement of pension cost, which are on a cash basis.

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

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

For the years ended December 31, 2025	Parts of HDD	Parts of vehicles	Management &operation	Reconciliation and elimination	Total
Revenue from external customers	\$ 453,272	1,792,583	54,703	-	2,300,558
Intersegment revenues	14,529	90,198	3,404	(108,131)	-
Total revenue	<u>\$ 467,801</u>	<u>1,882,781</u>	<u>58,107</u>	<u>(108,131)</u>	<u>2,300,558</u>
Reportable segment profit or loss	<u>\$ 55,731</u>	<u>160,927</u>	<u>(260,244)</u>	<u>852</u>	<u>(42,734)</u>
For the years ended December 31, 2024					
Revenue from external customers	\$ 587,676	1,875,540	109,364	-	2,572,580
Intersegment revenues	2,835	114,419	5,172	(122,426)	-
Total revenue	<u>\$ 590,511</u>	<u>1,989,959</u>	<u>114,536</u>	<u>(122,426)</u>	<u>2,572,580</u>
Reportable segment profit or loss	<u>\$ 102,719</u>	<u>193,528</u>	<u>(256,010)</u>	<u>930</u>	<u>41,167</u>

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CHINA FINEBLANKING TECHNOLOGY CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

Revenue from external customers:

<u>Region</u>	For the years ended December 31	
	2025	2024
Taiwan	\$ 93,103	123,451
Asia	2,039,920	2,291,088
Europe	157,261	142,893
Other	10,274	15,148
Total	\$ 2,300,558	2,572,580

Non-current assets:

<u>Region</u>	For the years ended December 31	
	2025	2024
China	\$ 753,576	845,097
Taiwan	986,631	1,017,910
Total	\$ 1,740,207	1,863,007

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other non-current assets.

(d) Major customers

The major customer which possesses over 10% of consolidated revenues were as follows:

	For the years ended December 31	
	2025	2024
Customer A from HDD parts division	\$ 275,882	473,619
Customer B from the automotive and motorcycle parts department.	250,817	318,437
	\$ 526,699	792,056