

SUPREME ELECTRONICS CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2025 and 2024**

Address: 7F., No. 189, Gangqian Rd., Neihu Dist., Taipei City 11494, Taiwan
Telephone: (02)2657-8809

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~10
(4) Summary of material accounting policies	10~25
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	25~27
(6) Explanation of significant accounts	27~61
(7) Related-party transactions	61~66
(8) Pledged assets	66
(9) Significant Commitments and Contingencies	66
(10) Losses Due to Major Disasters	67
(11) Subsequent Events	67
(12) Other	67
(13) Other disclosures	
(a) Information on significant transactions	68~70
(b) Information on investees	70
(c) Information on investment in Mainland China	71
(14) Segment information	71
9. List of major account titles	65~75



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

Independent Auditors' Report

To the Board of Directors of Supreme Electronics Co., Ltd.:

Opinion

We have audited the financial statements of Supreme Electronics Co., Ltd. (“the Company”), which comprise the balance sheet as of December 31, 2025 and 2024, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

1. Evaluation of inventory

Please refer to Note 4(g) for accounting policy of “Inventories”, Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty” and Note 6(f) “Inventories” of the financial statements.

Description of the key audit matter

Evaluation of inventory is one of the key judgmental areas for our audit, the demand of stocking inventory due to the commencement of the Company's dealership of electronic components. As different series of electronic products are rapidly being replaced by new ones, it may affect the inventory of the older ones to be slow-moving, or worse yet, stagnant; thus, may result the cost of inventory to be higher than the net realized value. The assessment of the net realized value of inventory requires subjective judgments of the management, which is the major source of estimation uncertainty. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

Our principal audit procedures included: assessing whether appropriate inventory policies are applied through comparison with accounting standards; testing the accuracy of the aging of inventories, sampling the inventory item and comparing the aging of inventory; retroactively inspecting the reasonability for allowance recognized on inventory valuation in the past and comparing it to the current year to ensure that the measurements and assumptions are reasonable; sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

2. Revenue recognition

Please refer to Note 4(m) for the accounting policy of “Revenue” and Note 6(r) for “Revenue from contracts with customers”.

Description of the key audit matter

The Company primarily is involved in the agency and sales of a variety of electronic products and components. The timing of revenue recognition is determined by the terms of transactions, which are agreed with customers. The consideration of the sales volume is large and the revenue is derived from multiple business sites. Therefore, the revenue recognition is considered to be a key audit matter.

How the matter was addressed in our audit

Our principal audit procedures included: understanding the Company’s accounting policies on revenue recognition and comparing them with the terms of sales to assess the appropriateness of the policies adopted; understanding the internal controls over sales revenue and testing the effectiveness of their implementation on a sample basis; testing individual revenue transactions and checking them against customer orders, proof of shipment, etc.; sampling the sales transactions for the period before and after the year end, reviewing the sales terms, shipping documents and customer acknowledgement documents of these transactions, and assessing whether the year-end sales transactions are recognized in the appropriate period.

3. Investments accounted for using equity method

Please refer to Note 4(i) for accounting policy of “Investments in subsidiaries”, Note 5 “Significant accounting assumptions and judgments, and major sources of estimation uncertainty”, and Note 6(g) “Investments accounted for using equity method” of the financial statements.

Description of the key audit matter

The major subsidiaries of the Company’s investments accounted for using equity method are also engaged in dealership of electronic components; therefore, the above-mentioned evaluation of inventories and revenue recognition of the investments accounted for using equity method are also the key audit matters for our audit. Therefore, this whole matter needed to be taken into serious consideration.

How the matter was addressed in our audit

The principal audit procedures on the evaluation of inventories and revenue recognition of the investments accounted for using equity method, please refer to key audit matters 1 “Evaluation of inventory” and 2 “Revenue recognition”.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on these financial statements. We are responsible for the direction, supervision and performance of the 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Huang, Yung-Hua and Cheng, An-Chih.

KPMG

Taipei, Taiwan (Republic of China)
March 9, 2026

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and 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 financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SUPREME ELECTRONICS CO., LTD.

Balance Sheets

December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2025		December 31, 2024				December 31, 2025		December 31, 2024	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 414,693	1	494,787	1	2100	Short-term borrowings (notes 6(d), (j) and 8)	\$ 14,715,566	34	6,477,430	19
1170	Notes and trade receivables, net (including related parties) (note 6(d), 7 and 8)	13,727,729	32	8,715,630	25	2170	Notes and trade payables	2,167,270	5	1,339,591	4
1200	Other receivables-other (notes 6(e), (k) and 8)	256,141	1	214,198	1	2180	Trade payables to related parties (note 7)	24,077	-	112,993	-
130X	Inventories (note 6(f))	11,819,936	27	9,298,292	27	2280	Current lease liabilities (note 6(m))	9,212	-	9,625	-
1410	Prepayments to suppliers	43,910	-	37,944	-	2305	Other current financial liabilities (note 7)	168,177	-	121,078	-
1476	Other current financial assets (notes 6(d), (e) and 7)	330,955	1	223,117	1	2321	Convertible corporate bonds payable, current portion (note 6(l))	-	-	23,255	-
1479	Other current assets	504,257	1	356,188	1	2322	Long-term borrowings, current portion (notes 6(k) and 8)	-	-	1,802,900	6
	Total current assets	<u>27,097,621</u>	<u>63</u>	<u>19,340,156</u>	<u>56</u>	2399	Other current liabilities (notes 6(d), (r) and 7)	2,686,601	6	1,462,151	4
							Total current liabilities	<u>19,770,903</u>	<u>45</u>	<u>11,349,023</u>	<u>33</u>
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	155,315	-	111,059	-		Non-current financial liabilities at fair value through profit or loss				
1517	Non-current financial assets at fair value through other comprehensive income (note 6(c))	103,888	-	9,975	-	2503	(notes 6(b) and (l))	9,900	-	43,200	-
1550	Investments accounted for using equity method (notes 6(g) and 7)	15,140,358	35	14,460,047	42	2530	Convertible corporate bonds payable (note 6(l))	2,782,979	6	2,721,178	8
1600	Property, plant and equipment (notes 6(h) and 8)	248,190	1	251,823	1	2580	Non-current lease liabilities (notes 6(m))	5,421	-	8,265	-
1755	Right-of-use assets (note 6(i))	14,449	-	17,740	-	2600	Other non-current liabilities (notes 6(n) and (o))	1,499,526	4	1,610,786	5
1900	Other non-current assets (note 6(o))	403,697	1	192,452	1		Total non-current liabilities	<u>4,297,826</u>	<u>10</u>	<u>4,383,429</u>	<u>13</u>
	Total non-current assets	<u>16,065,897</u>	<u>37</u>	<u>15,043,096</u>	<u>44</u>		Total liabilities	<u>24,068,729</u>	<u>55</u>	<u>15,732,452</u>	<u>46</u>
							Equity: (note 6(p))				
						3100	Ordinary shares	5,252,917	12	5,247,637	15
						3120	Preference shares	300,000	1	300,000	1
							Total share capital	5,552,917	13	5,547,637	16
						3200	Capital surplus	7,320,388	17	7,310,628	21
							Retained earnings:				
						3310	Legal reserve	1,860,704	4	1,673,245	5
						3320	Special reserve	-	-	311,677	1
						3350	Unappropriated retained earnings	4,546,595	11	3,549,765	10
							Total retained earnings	6,407,299	15	5,534,687	16
							Other equity:				
						3410	Exchange differences on translation of foreign financial statements	265,925	1	709,588	2
						3420	Unrealized losses on financial assets measured at fair value through other comprehensive income	(339,547)	(1)	(339,547)	(1)
							Total other equity	(73,622)	-	370,041	1
						3500	Treasury shares	(112,193)	-	(112,193)	-
							Total equity	<u>19,094,789</u>	<u>45</u>	<u>18,650,800</u>	<u>54</u>
Total assets		<u>\$ 43,163,518</u>	<u>100</u>	<u>34,383,252</u>	<u>100</u>		Total liabilities and equity	<u>\$ 43,163,518</u>	<u>100</u>	<u>34,383,252</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SUPREME ELECTRONICS CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars, except earnings per share)

		2025		2024	
		Amount	%	Amount	%
4000	Operating revenues (notes 6(r) and 7)	\$ 75,028,281	100	81,279,809	100
5000	Operating costs (notes 6(f) and 7)	71,622,716	96	78,241,650	96
	Gross profit from operations	3,405,565	4	3,038,159	4
	Operating expenses (notes 6(d), (m), (n), (s), 7 and 12):				
6100	Selling and administrative expenses	850,600	1	758,367	1
6300	Research and development expenses	105,321	-	109,225	-
6450	Expected credit loss (reversal of gain)	(69,156)	-	65,682	-
	Total operating expenses	886,765	1	933,274	1
6900	Net operating income	2,518,800	3	2,104,885	3
	Non-operating income and expenses:				
7100	Interest income	7,003	-	7,264	-
7010	Other income (notes 7)	40,140	-	62,888	-
7020	Other gains and losses, net (notes 6(b), (l) and (t))	120,834	-	95,939	-
7050	Finance costs (notes 6(l) and (m))	(496,756)	(1)	(880,800)	(1)
7060	Share of profit of subsidiaries and associates accounted for using equity method	1,184,615	2	990,851	1
		855,836	1	276,142	-
7900	Profit before income tax	3,374,636	4	2,381,027	3
7950	Less: Income tax expenses (note 6(o))	693,742	1	509,811	1
	Profit	2,680,894	3	1,871,216	2
8300	Other comprehensive income(loss):				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(n))	2,468	-	3,368	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	-	-	(8,317)	-
8349	Less:income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Total items that may not be reclassified subsequently to profit or loss	2,468	-	(4,949)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation	(557,114)	(1)	865,326	1
8399	Less:income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(o))	113,451	-	(175,292)	-
	Total items that may be reclassified subsequently to profit or loss	(443,663)	(1)	690,034	1
8300	Other comprehensive income(loss) (after tax)	(441,195)	(1)	685,085	1
8500	Total comprehensive income	\$ 2,239,699	2	2,556,301	3
9750	Basic earnings per share (NT dollars) (note 6(q))	\$ 5.02		3.49	
9850	Diluted earnings per share (NT dollars) (note 6(q))	\$ 4.75		3.37	

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SUPREME ELECTRONICS CO., LTD.

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

	Share capital			Retained earnings			Other equity			
	Ordinary shares	Preference shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Treasury shares	Total equity
Balance on January 1, 2024	\$ 5,140,013	300,000	6,629,556	1,468,327	388,427	3,964,099	19,554	(331,230)	(112,193)	17,466,553
Profit for the year ended December 31, 2024	-	-	-	-	-	1,871,216	-	-	-	1,871,216
Other comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	-	3,368	690,034	(8,317)	-	685,085
Total comprehensive income	-	-	-	-	-	1,874,584	690,034	(8,317)	-	2,556,301
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	204,918	-	(204,918)	-	-	-	-
Reversal of special reserve	-	-	-	-	(76,750)	76,750	-	-	-	-
Cash dividends on preference share	-	-	-	-	-	(60,750)	-	-	-	(60,750)
Cash dividends on ordinary share	-	-	-	-	-	(2,100,000)	-	-	-	(2,100,000)
Due to donated assets received	-	-	115	-	-	-	-	-	-	115
Equity components recognized in convertible bonds	-	-	292,013	-	-	-	-	-	-	292,013
Conversion of convertible bonds to ordinary shares	107,624	-	368,212	-	-	-	-	-	-	475,836
Difference between consideration and carrying amount of subsidiaries acquired	-	-	20,732	-	-	-	-	-	-	20,732
Balance on December 31, 2024	5,247,637	300,000	7,310,628	1,673,245	311,677	3,549,765	709,588	(339,547)	(112,193)	18,650,800
Profit for the year ended December 31, 2025	-	-	-	-	-	2,680,894	-	-	-	2,680,894
Other comprehensive income (loss) for the year ended December 31, 2025	-	-	-	-	-	2,468	(443,663)	-	-	(441,195)
Total comprehensive income	-	-	-	-	-	2,683,362	(443,663)	-	-	2,239,699
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	-	187,459	-	(187,459)	-	-	-	-
Reversal of special reserve	-	-	-	-	(311,677)	311,677	-	-	-	-
Cash dividends on preference share	-	-	-	-	-	(60,750)	-	-	-	(60,750)
Cash dividends on ordinary share	-	-	-	-	-	(1,750,000)	-	-	-	(1,750,000)
Due to donated assets received	-	-	78	-	-	-	-	-	-	78
Conversion of convertible bonds to ordinary shares	5,280	-	17,312	-	-	-	-	-	-	22,592
Difference between consideration and carrying amount of subsidiaries acquired	-	-	(7,630)	-	-	-	-	-	-	(7,630)
Balance on December 31, 2025	\$ 5,252,917	300,000	7,320,388	1,860,704	-	4,546,595	265,925	(339,547)	(112,193)	19,094,789

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SUPREME ELECTRONICS CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars)

	2025	2024
Cash flows from (used in) operating activities:		
Profit before tax	\$ 3,374,636	2,381,027
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	27,096	25,244
Amortization expense	11,761	12,533
Expected credit loss (reversal of gain)	(69,156)	65,682
Net (profit) loss on financial assets and liabilities at fair value through profit or loss	(20,965)	24,226
Interest expense	496,756	880,800
Interest income	(7,003)	(7,264)
Dividend income	-	(789)
Share of profit of subsidiaries and associates accounted for using equity method	(1,184,615)	(990,851)
Inventory write-down, obsolescence, and scrap loss	84,210	137,553
Others	5	(1,006)
Total adjustments to reconcile (loss) profit	<u>(661,911)</u>	<u>146,128</u>
Changes in operating assets and liabilities:		
Notes and trade receivables, net (including related parties)	(4,942,943)	273,872
Inventories	(2,605,854)	(18,388)
Other current assets	(154,035)	(16,525)
Other financial assets	(107,858)	81,548
Notes and trade payables (including related parties)	738,763	(2,998,977)
Other current and operating liabilities	888,818	146,427
Total changes in operating assets and liabilities	<u>(6,183,109)</u>	<u>(2,532,043)</u>
Total adjustments	<u>(6,845,020)</u>	<u>(2,385,915)</u>
Cash outflow generated from operations	(3,470,384)	(4,888)
Interest received	7,023	7,204
Dividends received	-	370,967
Interest paid	(413,181)	(881,015)
Income taxes paid	(538,819)	(630,035)
Net cash flows used in operating activities	<u>(4,415,361)</u>	<u>(1,137,767)</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(93,913)	-
Acquisition of financial assets at fair value through profit or loss	(56,591)	(4,125)
Acquisition of investments accounted for using equity method	(60,440)	(169,565)
Acquisition of property, plant and equipment	(11,923)	(12,619)
Proceeds from disposal of property, plant and equipment	-	1,076
Increase in refundable deposits and other	(12,198)	(13,344)
Net cash flows used in investing activities	<u>(235,065)</u>	<u>(198,577)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	8,238,136	512,030
Issuance of convertible bonds	-	3,001,000
Repayments of bonds payable	(700)	-
Decrease in long-term borrowings	(1,802,900)	(7,100)
(Increase) decrease in restricted bank deposits	(41,943)	12,440
Payment of lease liabilities	(11,511)	(9,468)
Cash dividends paid	(1,810,750)	(2,160,750)
Net cash flows from financing activities	<u>4,570,332</u>	<u>1,348,152</u>
Net (decrease) increase in cash and cash equivalents	<u>(80,094)</u>	<u>11,808</u>
Cash and cash equivalents at beginning of period	<u>494,787</u>	<u>482,979</u>
Cash and cash equivalents at end of period	<u><u>\$ 414,693</u></u>	<u><u>494,787</u></u>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2025 and 2024

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

(1) Company history

SUPREME ELECTRONICS CO., LTD. (the “Company”) was incorporated on March 5, 1987, as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C.. The address of its registered office is 6F.-1, No.185 and 6F, No.183, 185, 187 and 189, Gangqian Rd., Neihu Dist., Taipei City 114, Taiwan. The Company primarily is involved in import and export dealership of a variety of electronic products and components.

The Company conducted an IPO on the Taipei Exchange (TPEX) on February 9, 2004, and its common shares were switched to Taiwan Stock Exchange (TWSE) on December 31, 2007.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 9, 2026.

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IAS21 “Lack of Exchangeability”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7

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

The Company 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 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” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the 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 Company, 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"	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. • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027 note: On September 25, 2025, the FSC issued a press release announcing that Taiwan will adopt IFRS 18 beginning in 2028. Entities that need to adopt the new standard earlier may do with the endorsement of the FSC.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

The Company 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 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 financial statements are summarized follows. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements .

(a) Statement of compliance

These 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”).

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial assets at fair value through other profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(Continued)

SUPREME ELECTRONICS CO., LTD.**Notes to the Financial Statements****(c) Foreign currencies****(i) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Company 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 Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of its investment in an associate or a 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.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

The Company 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 Company 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.

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the 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; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2) Fair value through other comprehensive income (FVOCI)

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Some trade receivables are held within a business model whose objective is achieved by both collecting contractual cash flows and selling by the Company; therefore, those receivables are measured at FVOCI. However, they are included in the ‘ trade receivables’ line item.

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

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

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

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets.

On initial recognition, the Company 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.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and trade receivables, other receivables, refundable deposits and other financial assets), debt investments measured at FVOCI and contract assets.

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

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

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

(Continued)

SUPREME ELECTRONICS CO., LTD.**Notes to the Financial Statements**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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 Company is exposed to credit risk.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 360 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company 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 Company 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 Company's procedures for recovery of amounts due.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

5) Derecognition of financial assets

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

The Company 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 Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

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

3) 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) Preference shares

The Company's redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and are not required to be delivered in a variable number of the Company's equity instruments. Discretionary dividends thereon are recognized as equity distributions on approval at the Company's stockholders' meeting.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

5) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible bonds denominated in NTD 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.

6) 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.

7) Derecognition of financial liabilities

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

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

8) Offsetting of financial assets and liabilities

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

(Continued)

SUPREME ELECTRONICS CO., LTD.**Notes to the Financial Statements****(g) 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 and other costs incurred in bringing them to their present location and condition.

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

(h) Investment in associates

Associates are those entities in which the company has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the company's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of the Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(i) Investment in subsidiaries

Investments in subsidiaries are accounted for using the equity method. There is no difference between net income and comprehensive income in the Company's financial statements and net income and comprehensive income attributable to stockholders of the parent. The equity in the Company's financial statements and the equity attributable to stockholders of the parent in the Company's consolidated financial statements are also the same.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(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:

- 1) Buildings: 35~50 years
- 2) Office and other equipment: 1~5 years

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

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(k) Leases

At inception of a contract, the Company 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 Company 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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised

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

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

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

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 Company 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 Company 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 Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Company 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 Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

(l) Impairment of non-financial assets

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

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

(m) Revenue

(i) Revenue from contracts with customers

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

1) Sale of goods

The Company sells electronic components to manufacturers. The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers based on historical experiences and other known reasons. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts, and is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting date.

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

2) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(n) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company 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.

(o) Share-based payment

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as expenses, 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.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

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.

Grant date of a share-based payment award is the date which the Company confirms the numbers of employee stock options.

(p) **Income taxes**

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

The Company has determined that the global minimum top-up tax – which it is required to pay under Pillar Two legislation – is an income tax in the scope of IAS 12. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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

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

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and at the time of the transaction (i) affects neither accounting nor taxable profits (losses) and (ii) does not give rise to equal taxable and deductible temporary differences;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company 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.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

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

(q) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as convertible bonds and employee compensation.

(r) Operating segments

Please refer to Company's consolidated financial statements for the years ended December 31, 2025 and 2024, for further details.

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

In preparing these 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 Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised 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 financial statements is as follows:

(a) Judgment regarding acting as a principal or as an agent on commission

In respect of commissions, the Company concludes that the following indicators provide further evidence that it does not control the specified goods before they are transferred to the customer, and therefore it acts as an agent.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (i) The Company neither obliged to provide the goods if the supplier fails to transfer the goods to the customer, nor responsible for the acceptability of the goods.
 - (ii) The Company does not commit itself to obtain the goods from the supplier before the goods are purchased by the customer, and does not accept responsibility for any damaged or returned goods.
 - (iii) The Company cannot vary the selling prices set by the supplier.
- (b) Judgment of whether the Company has substantive control over its investees

The associates that the Company invested, of which shares are concentrated within sole or minority shareholders, and the Company cannot obtain more than half of the total number of those associates' directors as well as cannot obtain more than half of the voting rights at a shareholders' meeting. Therefore, the Company assessed that it has significant influence on associates.

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

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Company 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.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial department conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial department also periodically adjusts valuation models, conducts back-testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company 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 identical 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.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

The information of the assumptions adopted for assessing the financial instruments, please refer to note 6(u).

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2025	December 31, 2024
Cash on hand and petty cash	\$ 347	351
Demand deposits and check deposits	414,346	494,436
	\$ 414,693	494,787

Please refer to note 6(u) for the credit risk, exchange rate risk and the interest rate risk of the Company.

(b) Non-current financial assets and liabilities at fair value through profit or loss

	December 31, 2025	December 31, 2024
Financial assets mandatorily measured at fair value through profit or loss:		
Stocks listed on domestic markets	\$ 81,117	93,452
Private equity fund	74,198	17,607
Total	\$ 155,315	111,059
Financial liabilities at fair value through profit or loss:		
Convertible corporate bonds with embedded derivative financial instruments	\$ 9,900	43,200

(i) For the years ended December 31, 2025 and 2024, the Company recognized gains and (losses) on financial assets and liabilities at fair value amounting to \$20,965 thousand and \$(24,226) thousand, respectively, under “other gains and losses”.

(ii) For details on the disclosure of embedded derivative instruments of convertible corporate bonds issued by the Company, please refer to note 6(l).

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (iii) If the listed stock's equity price changes at the reporting date, the impact to other comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both period, will be as follows:

	<u>2025</u>		<u>2024</u>	
<u>Equity price at the reporting date</u>	<u>Before tax other comprehensive income</u>	<u>Before tax profit (loss)</u>	<u>Before tax other comprehensive income</u>	<u>Before tax profit (loss)</u>
Increase 5%	\$ -	<u>4,056</u>	-	<u>4,673</u>
Decrease 5%	\$ -	<u>(4,056)</u>	-	<u>(4,673)</u>

- (c) Non-current financial assets at fair value through other comprehensive income

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Stocks unlisted on domestic markets	\$ 8,800	8,800
Stocks unlisted on foreign markets	<u>95,088</u>	<u>1,175</u>
Total	<u><u>\$ 103,888</u></u>	<u><u>9,975</u></u>

- (i) The Company intends to hold these equity instruments for long-term strategic purposes and not for the business purpose, thus they are classified as financial assets at fair value through other comprehensive income.
- (ii) As of December 31, 2025 and 2024, the financial assets at fair value through other comprehensive income of the Company had not been pledged as collateral.
- (d) Notes and trade receivables (including related parties)

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Trade receivables – measured as amortized cost	\$ 15,934,507	7,799,121
Trade receivables – fair value through other comprehensive income	880,385	2,891,413
Trade receivables due from related parties	166,317	60,207
Less: loss allowance	-	(69,156)
Less: trade receivables factoring	<u>(3,253,480)</u>	<u>(1,965,955)</u>
	<u><u>\$ 13,727,729</u></u>	<u><u>8,715,630</u></u>

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (i) The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; therefore, such trade receivables were measured at fair value through other comprehensive income.
- (ii) As of December 31, 2025 and 2024, the Company expected to give sales returns and discount to its customers, recognized the refund liabilities of \$1,588,558 thousand and \$511,264 thousand, respectively, under “other current liabilities”.
- (iii) The Company 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, trade 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 were determined as follows:

December 31, 2025			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 11,207,800	0%	-
1 to 30 days past due	2,498,890	0%	-
31 to 90 days past due	21,039	0%	-
	\$ 13,727,729		-
December 31, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 8,150,330	0%~0.10%	-
1 to 30 days past due	516,180	0%~1%	-
31 to 90 days past due	16,992	0%~5%	-
91 to 180 days past due	24,201	0%~15%	-
More than 180 days past due	77,083	0%~100%	69,156
	\$ 8,784,786		69,156

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (iv) The movement in the allowance for notes and trade receivables were as follows:

	2025	2024
Balance on January 1	\$ 69,156	3,474
Impairment losses recognized (reversal of gain)	(69,156)	65,682
Balance on December 31	<u>\$ -</u>	<u>69,156</u>

- (v) The trade receivables of the Company had been pledged as collateral, please refer to note 8.
- (vi) The Company entered into separate factoring agreements with different financial institutions to sell its trade receivables. Under the agreements, the Company does not have the responsibility to assume the default risk of the transferred trade receivables but is liable for the losses incurred on any business dispute. The Company derecognized the above trade receivables because it has transferred substantially all of the risks and rewards of their ownership, and it does not have any continuing involvement in them. The amounts receivable from the financial institutions were recognized as “other current financial assets” upon the derecognition of those trade receivables. At each reporting date, the details of relevant information of transferred trade receivables which conformed to the criteria for derecognition were as follows:

December 31, 2025						
Purchaser	Factoring Line	Amount Derecognized	Amount Advanced Paid	Reclassified to Other Current Financial Assets	Range of Interest Rate	Significant Transferring Terms
Far Eastern International Bank	\$ 6,286,000	1,494,240	1,344,683	149,557	4.76%~4.94%	Note 1, 2 and 3
Yuanta Commercial Bank	2,168,670	415,981	374,333	41,648	4.60%~4.70%	"
Cathay United Bank	942,900	941,621	847,353	94,268	4.23%~4.49%	"
Bank of Taiwan	785,750	401,638	361,445	40,193	4.71%	"
DBS Bank Limited	3,143,000	-	-	-	-	"
Taishin International Bank	1,854,370	-	-	-	-	"
First commercial Bankd	942,900	-	-	-	-	"
	<u>\$ 16,123,590</u>	<u>3,253,480</u>	<u>2,927,814</u>	<u>325,666</u>		

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

December 31, 2024

Purchaser	Factoring Line	Amount Derecognized	Amount Advanced Paid	Reclassified to Other Current Financial Assets	Range of Interest Rate	Significant Transferring Terms
Far Eastern International Bank	\$ 6,556,000	583,801	504,299	79,502	5.68%~5.79%	Note 1, 2 and 3
Yuanta Commercial Bank	2,261,820	1,038,732	934,783	103,949	6.03%~6.24%	"
Taishin International Bank	1,934,020	114,347	102,813	11,534	5.82%~6.20%	"
Taipei Fubon Commercial Bank Co., Ltd.	1,639,000	180,475	162,383	18,092	5.48%~5.50%	"
Bank of Taiwan	819,500	48,600	43,720	4,880	5.68%~5.77%	"
Cathay United Bank	3,278,000	-	-	-	-	"
DBS Bank Limited	1,901,240	-	-	-	-	"
CTBC Bank Co., Ltd.	1,802,900	-	-	-	-	"
First Commercial Bank	983,400	-	-	-	-	"
	\$ 21,175,880	1,965,955	1,747,998	217,957		

Note 1: The buyer confirms that the trading conditions of the commodity based on trade receivables factoring agreements, belonging to the transaction of trade receivables without recourse.

Note 2: Within factoring line, if the counterpart is unable to pay or probably unable to pay due to financial difficulties, the buyer shall undertake the default risk while the Company is irrelevant to the risk. In addition, the promissory note issued by the Company is inoperative for the factoring behavior that is recorded in trade receivables factoring agreements (except for disputes resulting from warranty against defects).

Note 3: In addition, as of December 31, 2024, the Company had \$23,417 thousand available for advance payment. As of December 31, 2025, the Company had no amount available for advance payment.

(vii) The Company entered into separate factoring agreements with different financial institutions to sell its trade receivables. Under the agreement, the Company provides a guarantee for trade receivables that is uncollectible in the specific period (either deferred payments or breach of contract), still remaining substantially all of the risks and rewards of ownership. Therefore, the Company continues to recognize the full carrying value of its trade receivables. The carrying amounts of transferred trade receivables and related financial liabilities that remain recognized as of the reporting date were as follows. In addition, as of December 31, 2025, no such circumstances existed.

December 31, 2024

Purchaser	Assignment Facility	Factoring line	Advanced Amount (Under Short-Term Borrowings)	Range of Interest Rate
CTBC Bank Co., Ltd.	\$ 79,111	1,147,300	75,132	5.51%
DBS Bank Limited	-	1,966,800	-	-
	\$ 79,111	3,114,100	75,132	

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(e) Other financial assets and other receivables

	December 31, 2025	December 31, 2024
Other receivables-other		
Restricted bank deposits	\$ 256,141	214,198
Other financial assets – current		
Rest payment of trade receivables factoring	325,666	217,957
Other receivables due from related parties	3,554	3,871
Others	1,735	1,289
	<u>\$ 587,096</u>	<u>437,315</u>

(f) Inventories

	December 31, 2025	December 31, 2024
Merchandise	\$ 10,399,745	7,832,710
Merchandise in transit	1,420,191	1,465,582
	<u>\$ 11,819,936</u>	<u>9,298,292</u>

(i) For the years 2025 and 2024, the inventory write-down and scrap loss recognized due to inventory being written down to net realizable value amounted to \$84,210 thousand and \$137,553 thousand, respectively, under “operating costs”.

(ii) As of December 31, 2025 and 2024, the Company did not provide any inventories as collateral.

(g) Investments accounted for using equity method

The Company’s financial information for investments accounted for using the equity method at the reporting date was as follows:

	December 31, 2025	December 31, 2024
Subsidiaries	<u>\$ 15,140,358</u>	<u>14,460,047</u>

(i) Please refer to the Company’s consolidated financial statements for the year ended December 31, 2025, for details of subsidiaries.

(ii) As of December 31, 2025 and 2024, the Company did not provide any investments accounted for using the equity method as collateral.

(iii) In August 2025, the subsidiary, GO-TECH Energy, conducted a cash capital increase of \$30,000 thousand. As the Company did not participate in the investment in proportion to its original shareholding, its ownership percentage increased from 69.53% to 73.83%.

(iv) To expand the presence in the U.S. market, the Company established Supreme International Electronics LLC (Supreme (US)) in 2025. Capital contributions totaling NT\$30,440 thousand were completed in October. As of December 31, 2025, the related registration procedures for this investment had been fully completed.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (v) In order to integrate the Company's resources and adjust the Group's organizational structure, the Company obtained all the shares of Golden Supreme International Pte. Ltd. (Golden Supreme (SGP)) from Golden Supreme International Ltd. (Golden Supreme(HK)) in October 2024. The transaction price was \$24,026 thousand, and the related transaction payment was completed as of December 31, 2024.
- (vi) To expand the overseas market, the Company conducted a cash capital increase of \$138,908 thousand in WORLD PACIFIC INDUSTRIAL H.K. LIMITED (WORLD PACIFIC (HK)) in March 2024 and made an additional investment of \$6,631 thousand in ALFO ELECTRONICS INDIA PRIVATE LIMITED (ALFO (INDIA)) in September. As of December 31, 2024, the relevant registration procedures for these investments have been completed.
- (h) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Other facilities</u>	<u>Total</u>
Cost or deemed cost:				
Balance on January 1, 2025	\$ 168,078	106,260	147,736	422,074
Additions	-	-	11,923	11,923
Disposal / write-off	-	-	(1,011)	(1,011)
Balance on December 31, 2025	<u><u>\$ 168,078</u></u>	<u><u>106,260</u></u>	<u><u>158,648</u></u>	<u><u>432,986</u></u>
Balance on January 1, 2024	\$ 168,078	106,260	141,686	416,024
Additions	-	-	12,619	12,619
Disposal / write-off	-	-	(6,569)	(6,569)
Balance on December 31, 2024	<u><u>\$ 168,078</u></u>	<u><u>106,260</u></u>	<u><u>147,736</u></u>	<u><u>422,074</u></u>
Depreciation and impairment loss:				
Balance on January 1, 2025	\$ -	55,689	114,562	170,251
Depreciation	-	2,345	13,206	15,551
Disposal / write-off	-	-	(1,006)	(1,006)
Balance on December 31, 2025	<u><u>\$ -</u></u>	<u><u>58,034</u></u>	<u><u>126,762</u></u>	<u><u>184,796</u></u>
Balance on January 1, 2024	\$ -	53,344	106,894	160,238
Depreciation	-	2,345	13,359	15,704
Disposal / write-off	-	-	(5,691)	(5,691)
Balance on December 31, 2024	<u><u>\$ -</u></u>	<u><u>55,689</u></u>	<u><u>114,562</u></u>	<u><u>170,251</u></u>
Carrying amounts:				
Balance on December 31, 2025	<u><u>\$ 168,078</u></u>	<u><u>48,226</u></u>	<u><u>31,886</u></u>	<u><u>248,190</u></u>
Balance on December 31, 2024	<u><u>\$ 168,078</u></u>	<u><u>50,571</u></u>	<u><u>33,174</u></u>	<u><u>251,823</u></u>
Balance on January 1, 2024	<u><u>\$ 168,078</u></u>	<u><u>52,916</u></u>	<u><u>34,792</u></u>	<u><u>255,786</u></u>

As of December 31, 2025 and 2024, the property, plant and equipment of the Company had been pledged as collateral for short-term borrowing and financing guarantee; please refer to note 8.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(i) Right-of-use assets

The Company leases many assets including buildings and vehicles. Information about leases for which the Company as a lessee was presented below:

	<u>Buildings</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:			
Balance on January 1, 2025	\$ 7,556	20,686	28,242
Additions	3,722	4,532	8,254
Disposal	(2,484)	(938)	(3,422)
Balance on December 31, 2025	\$ <u>8,794</u>	<u>24,280</u>	<u>33,074</u>
Balance on January 1, 2024	\$ 7,392	16,280	23,672
Additions	1,740	14,010	15,750
Disposal	(1,576)	(9,604)	(11,180)
Balance on December 31, 2024	\$ <u>7,556</u>	<u>20,686</u>	<u>28,242</u>
Depreciation and impairment loss:			
Balance on January 1, 2025	\$ 4,369	6,133	10,502
Depreciation	3,113	8,432	11,545
Disposal	(2,484)	(938)	(3,422)
Balance on December 31, 2025	\$ <u>4,998</u>	<u>13,627</u>	<u>18,625</u>
Balance on January 1, 2024	\$ 2,824	9,318	12,142
Depreciation	3,121	6,419	9,540
Disposal	(1,576)	(9,604)	(11,180)
Balance on December 31, 2024	\$ <u>4,369</u>	<u>6,133</u>	<u>10,502</u>
Carrying amount:			
Balance on December 31, 2025	\$ <u>3,796</u>	<u>10,653</u>	<u>14,449</u>
Balance on December 31, 2024	\$ <u>3,187</u>	<u>14,553</u>	<u>17,740</u>
Balance on January 1, 2024	\$ <u>4,568</u>	<u>6,962</u>	<u>11,530</u>

(j) Short-term borrowings

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Commercial paper payable	\$ 950,000	350,000
Letters of credit	220,510	285,432
Unsecured bank loans	12,044,588	5,094,876
Secured bank loans	<u>1,500,468</u>	<u>747,122</u>
Total	\$ <u>14,715,566</u>	<u>6,477,430</u>
Unused short-term credit lines	\$ <u>7,406,379</u>	<u>13,305,880</u>
Range of interest rates	<u>1.94%~5.21%</u>	<u>1.93%~5.80%</u>

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

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(k) Long-term borrowings

	December 31, 2024
Bank loans	\$ 1,802,900
Less: current portion	(1,802,900)
Total	\$ -
Range of interest rate	<u><u>5.87%~6.08%</u></u>

(i) The collateral of bank loans:

For the collateral for long-term borrowings, please refer to note 8.

- (ii) The Company and its subsidiary GOLDEN SUPREME LIMITED (“GOLDEN SUPREME (HK)”), re-invested by way of an overseas company in West Samoa, (hereinafter referred to as “the Borrower”) entered into a syndicated loan agreement in November 2020, and the loan deal included commitments from a dozen banks such as Bank of Taiwan. The Borrower gets credit line of NT\$3,600 million and US\$120 million to repay the syndicated loan in 2017. The syndicated loan encompassed a five-year facility starting from the actual date of first drawdown and is a revolving loan facility, averagely decreasing the credit line once every 3 months within 24 months, starting from the 39th month of the actual date of first drawdown. The Company drew on the credit line on November 26, 2020. In addition, the above-mentioned loan deal restricts that the Group shall maintain specific financial covenants as following, and the calculation of the restricted financial covenants is based on the CPA-audited/reviewed fiscal year/semi-annual consolidated financial reports. The financial covenants are reviewed on a half-yearly basis. If the Company violates the agreement and fails to improve until the next inspection date, the Company would be considered as a breach of contract, and the syndicated banks would have the rights to suspend the loan deal, or terminate the unused credit line in whole or in part, or claim that the principal and interest should be prepaid in whole or in part. The situation will continue until the reasons of violation have been dissolved.

- 1) Current ratio: current assets to current liabilities, no less than 100%.
- 2) Net financial liabilities ratio: no more than 250%.
- 3) Tangible net value: no less than NT\$3,500 million.

Within the loan period, the Company shall hold 50% shares of GOLDEN SUPREME (HK) directly or indirectly, and maintain the business control for it at the same time.

Based on the syndicated loan agreement, the Borrower shall open a revenue account and stipulate the following matters. If the Company violates the following matters, then the syndicated banks should exercise the right of set-off.

- 1) The Borrower shall ensure that the average balance of the revenue account reaches 5% of the currently effective total credit line.
- 2) The Borrower shall ensure the accumulated amount, deposit or remit for every six months to revenue account, that reaches at least 50% of currently effective credit line.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

As of December 31, 2024, the balance of the revenue account designated under the aforementioned agreement with the bank amounted to NT\$7,585 thousand, and was recorded under “Other receivables – others.” In addition, although the original maturity date of this loan facility was November 2025, the Company fully repaid the facility early in October 2025.

(iii) Compliance with loan agreement

The Long-term syndicated loan agreement, which included commitments from a dozen banks such as Bank of Taiwan, was made by the Group to meet operating activities needs. The Group was restricted by the syndicated loan agreement to maintain specific financial covenants, such as current ratio, net financial liabilities ratio, and tangible net value, based on the CPA-audited/reviewed fiscal year/semi-annual consolidated financial report. If the Group cannot qualify financial covenants of each section, the improvement should be completed before the next inspection date. If fails to improve by the deadline, the Group shall pay the compensation fee to the management bank at a rate of 0.05% on the balance of outstanding principal and management bank will transfer the compensation fee to the other credit banks in obedience to the credit risk amortization ratio. As of December 31, 2024, the Company did not violate the conditions of the syndicated loan agreement.

Additionally, the GOLDEN SUPREME (HK) entered into a syndicated loan agreement in July 2024 with a syndicate of banks, including Chang Hwa Commercial Bank, to obtain USD 360 million to repay USD120 million under the 2020 syndicated loan. Please refer to Note 6 (m) of the consolidated financial statements.

(l) Convertible corporate bonds payable

	December 31, 2025	December 31, 2024
Total amount of issuing convertible corporate bonds	\$ 3,000,000	4,200,000
Unamortized discounted corporate bonds payable	(217,021)	(278,867)
Cumulative converted amount	<u>-</u>	<u>(1,176,700)</u>
Convertible corporate bonds payable balance at year-end	2,782,979	2,744,433
Less: convertible corporate bonds payable-current	<u>-</u>	<u>(23,255)</u>
Convertible corporate bonds payable – non-current	<u>\$ 2,782,979</u>	<u>2,721,178</u>
Embedded derivative financial instruments - put options (included in financial liabilities at fair value through profit or loss – non-current)	<u>\$ 9,900</u>	<u>43,200</u>
Equity component - conversion options (included in capital surplus – share options)	<u>\$ 292,013</u>	<u>292,738</u>

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

	<u>2025</u>	<u>2024</u>
Embedded derivative instruments – gain(loss) on remeasurement of call and put options at fair value (recognized in other gains and losses)	\$ <u>33,000</u>	<u>(18,953)</u>
Amortization amount of corporate bonds payable in the current period (recognized in financial costs)	\$ <u>61,837</u>	<u>38,727</u>

- (i) The Company's ninth domestic unsecured convertible corporate bonds issued in 2022 matured in March 2025, and the remaining unconverted bonds were fully repurchased and redeemed.
- (ii) The Board of Directors of the Company passed a resolution to issue the tenth domestic unsecured convertible corporate bonds with a total amount of \$3 billion on April 12, 2024. The issuance was declared effective by the Financial Supervisory Commission, and the bonds were listed on the Taipei Exchange on May 24, 2024.

The Company issued the domestic convertible corporate bonds at par value, and the main issuance conditions were as follows:

	2022	2024
	Issuance of unsecured convertible corporate bonds	Issuance of unsecured convertible corporate bonds
Total issued amount	\$1,200,000 thousand	\$3,000,000 thousand
Issue date	2022.3.10	2024.5.24
Issue price	100.5% of par value	100.2% of par value
Coupon rate	0%	0%
Issue period	2022.3.10~2025.3.10	2024.5.24~2029.5.24
Trustee bank	SinoPac Bank., Trust Dept.	KGI Bank
Redemption at the option of the convertible corporate bonds	From the day following the expiration of three months after the date of issuance (June 11, 2022) to 40 days before the expiration of the issuance period (January 29, 2025), it shall be redeemed in advance when specific conditions are met.	From the day following the expiration of three months after the date of issuance (August 25, 2024) to 40 days before the expiration of the issuance period (April 14, 2029), it shall be redeemed in advance when specific conditions are met.
Resell at the option of the convertible corporate bonds	From the date of expiration of two years after the date of issuance (March 10, 2024), bondholders may require the Company to redeem their convertible corporate bonds in cash at 101.0025% of the par value of the bonds.	From the date of expiration of three years and four years after the date of issuance (May 24, 2027 and May 24, 2028), bondholders may require the Company to redeem their convertible corporate bonds in cash at par value of the bonds.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

	2022	2024
	Issuance of unsecured convertible corporate bonds	Issuance of unsecured convertible corporate bonds
Conversion period of convertible corporate bonds	From the day following the expiration of three months from the date of issuance of bonds (June 11, 2022) to the maturity date (March 10, 2025), the holder may calculate the current conversion price according to the conversion method and request to convert them into ordinary shares. At the end of the period, the Company will repay the principal in cash to those redeemed and not converted.	From the day following the expiration of three months from the date of issuance of bonds (August 25, 2024) to the maturity date (May 24, 2029), the holder may calculate the current conversion price according to the conversion method and request to convert them into ordinary shares. At the end of the period, the Company will repay the principal in cash to those redeemed and not converted.
Conversion price of convertible corporate bonds	As of December 31, 2024, the conversion price was \$42.8 per share. As of December 31, 2025, all convertible bonds had been fully converted or redeemed by the Company.	The conversion price on December 31, 2024 was \$73.5 per share. After the issuance of corporate bonds, in the event that the Company's adjustment conditions of the conversion price in accordance with the provisions of the issuance terms are met, the conversion price shall be adjusted thereby.

(m) Lease liabilities

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

	December 31, 2025	December 31, 2024
Current	\$ <u><u>9,212</u></u>	\$ <u><u>9,625</u></u>
Non-current	\$ <u><u>5,421</u></u>	\$ <u><u>8,265</u></u>

For the maturity analysis, please refer to note 6(u) Financial Instruments.

The amounts recognized in profit or loss were as follows:

	2025	2024
Interest expenses on lease liabilities	\$ <u><u>369</u></u>	\$ <u><u>343</u></u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u><u>1,413</u></u>	\$ <u><u>4,622</u></u>

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

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

	2025	2024
Total cash outflow for leases	\$ 13,293	14,433

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligations at present value and plan assets at fair value were as follows:

	December 31, 2025	December 31, 2024
Present value of the defined benefit obligations	\$ 80,299	79,122
Fair value of plan assets	(53,185)	(32,839)
Net defined benefit liabilities	\$ 27,114	46,283

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

a) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$53,185 thousand as of December 31, 2025. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

b) Movement in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company were as follows:

	2025	2024
Defined benefit obligations on January 1	\$ 79,122	82,832
Current service costs and interest cost	1,202	1,048
Remeasurements of the net defined benefit liabilities	(25)	(536)
Benefits paid	-	(4,222)
Defined benefit obligations on December 31	\$ 80,299	79,122

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

c) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2025	2024
Fair value of plan assets on January 1	\$ (32,839)	(32,549)
Contributions paid by the employer	(17,256)	(1,146)
Remeasurements of the net defined benefit assets	(2,443)	(2,832)
Interest income	(647)	(534)
Benefits paid	-	4,222
Fair value of plan assets on December 31	<u><u>\$ (53,185)</u></u>	<u><u>(32,839)</u></u>

d) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	2025	2024
Net interest of net liabilities for defined benefit obligations	<u><u>\$ 555</u></u>	<u><u>514</u></u>

e) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liabilities recognized in other comprehensive income for the years ended December 31, 2025 and 2024, were as follows:

	2025	2024
Accumulated amount on January 1	\$ 33,950	37,318
Recognized during the period	(2,468)	(3,368)
Accumulated amount on December 31	<u><u>\$ 31,482</u></u>	<u><u>33,950</u></u>

f) Actuarial assumptions

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

	December 31, 2025	December 31, 2024
Discount rate	1.625 %	2.000 %
Future salary increasing rate	3.000 %	3.000 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date in 2025 is \$1,173 thousand.

The weighted-average lifetime of the defined benefit plans is 9.65 years.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

g) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations shall be as follows:

	Impact on defined benefit obligations (profit) loss	
	Increased 0.25%	Decreased 0.25%
December 31, 2025		
Discount rate	\$ (887)	926
Future salary increasing rate	\$ 883	(854)
	Impact on defined benefit obligations (profit) loss	
	Increased 0.25%	Decreased 0.25%
December 31, 2024		
Discount rate	\$ (951)	972
Future salary increasing rate	\$ 931	(916)

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

There is no change in the method and assumptions used in the preparation of the sensitivity analysis for 2025 and 2024.

(ii) Defined contribution plans

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

The pension costs incurred from the contributions to the Bureau of Labour Insurance amounted to \$13,311 thousand and \$12,550 thousand for the years ended December 31, 2025 and 2024, respectively.

(o) Income Taxes

(i) The details of the Company's income tax expense are as follows:

	2025	2024
Current tax expense	\$ 888,191	413,135
Deferred tax (income) expense	(194,449)	96,676
	\$ 693,742	509,811

(ii) The Company did not have income tax recognized in equity for 2025 and 2024.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (iii) The amount of income tax (income) expense recognized in other comprehensive income for 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Exchange differences on translation of foreign financial statements	\$ <u>(113,451)</u>	<u>175,292</u>

- (iv) Reconciliation of income tax expense and profit before tax for 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Profit excluding income tax	\$ <u>3,374,636</u>	<u>2,381,027</u>
Income tax using the Company's domestic tax rate	674,927	476,205
Permanent difference	11,966	31,036
Additional tax on undistributed earnings and others	<u>6,849</u>	<u>2,570</u>
	\$ <u>693,742</u>	<u>509,811</u>

- (v) Deferred income tax (assets) liabilities

1) Unrecognized deferred tax assets

- a) The unrecognized deferred income tax assets are both \$42,070 thousand as of December 31, 2025 and 2024, due to the tax effect of deductible temporary difference.
- b) Deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

2) Unrecognized deferred tax liabilities

Considering the overall development and investment planning of the Company, although there are accumulated surplus on the Company's overseas subsidiaries, they still have demand for capital expenditures and operating capital. Hence, the Company considers parts of overseas subsidiaries' surplus will not be remitted back in the foreseeable future. As of December 31, 2025 and 2024, the unrecognized deferred tax liabilities both amounted to \$223,453 thousand.

(Continued)

SUPREME ELECTRONICS CO., LTD.
Notes to the Financial Statements

3) Recognized deferred tax assets

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

	Unrealized losses on inventory	Fair value loss	Refund liabilities	Others	Total
Balance on January 1, 2025	\$ (87,493)	(2,650)	-	(27,537)	(117,680)
Recognized in profit or loss	(50,306)	-	(158,856)	(1,646)	(210,808)
Balance on December 31, 2025	<u>\$ (137,799)</u>	<u>(2,650)</u>	<u>(158,856)</u>	<u>(29,183)</u>	<u>(328,488)</u>
Balance on January 1, 2024	\$ (70,685)	(2,650)	(78,884)	(38,487)	(190,706)
Recognized in profit or loss	(16,808)	-	78,884	10,950	73,026
Balance on December 31, 2024	<u>\$ (87,493)</u>	<u>(2,650)</u>	<u>-</u>	<u>(27,537)</u>	<u>(117,680)</u>

4) Recognized deferred tax liabilities

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

	Investment income recognized under the equity method	Exchange differences on translation of foreign financial statements	Others	Total
Balance on January 1, 2025	\$ 1,348,543	185,451	16,325	1,550,319
Recognized in profit or loss	11,199	-	5,160	16,359
Recognized in other comprehensive income	-	(113,451)	-	(113,451)
Balance on December 31, 2025	<u>\$ 1,359,742</u>	<u>72,000</u>	<u>21,485</u>	<u>1,453,227</u>
Balance on January 1, 2024	\$ 1,324,815	10,159	16,403	1,351,377
Recognized in profit or loss	23,728	-	(78)	23,650
Recognized in other comprehensive income	-	175,292	-	175,292
Balance on December 31, 2024	<u>\$ 1,348,543</u>	<u>185,451</u>	<u>16,325</u>	<u>1,550,319</u>

- (vi) The Company's tax returns for the year through 2023 were examined and approved by the Taipei National Tax Administration.
- (vii) For subsidiaries included in the consolidated financial statements, any top-up tax incurred in relation to qualified refundable tax credits is recognized as current income tax expense when the related refundable tax credits are realized, while any deferred tax accounting treatment associated with such refundable tax credits is temporarily exempted.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

The Group is subject to the Global Minimum Tax regime under Pillar Two. Both Hong Kong and Singapore, where the Group operates, have implemented local minimum taxation and income inclusion rules effective January 1, 2025. Based on an assessment on the anticipated effective tax rates in the applicable tax jurisdictions, all subsidiaries of the Group were at or above, 15% for the fiscal year ending December 31, 2025. Therefore, the Group does not expect to incur any top-up tax under the Global Minimum Tax regime. For further details, please refer to Note 6(q) of the consolidated financial statements.

(p) Capital and other equity

Reconciliation of shares outstanding for 2025 and 2024 was as follows:

	(in thousand of shares)	
	2025	2024
Balance on January 1	524,764	514,001
Conversion of corporate bonds	528	10,763
Balance on December 31	<u>525,292</u>	<u>524,764</u>

(i) Ordinary shares

The nominal common stock amounted to \$8,000,000 thousand, some of which can be preferred stock. As of December 31, 2025 and 2024, there were 525,292 thousand shares and 524,764 thousand shares issued with par value of \$10 per share, respectively.

In 2025 and 2024, the Company's issued convertible bonds were converted into common stock, amounting to \$5,280 thousand and \$107,624 thousand, respectively, with converted shares of 528 thousand shares and 10,763 thousand shares, respectively. The share conversion completed in fiscal year 2025 has been fully registered with the relevant authorities.

(ii) Preference shares

On December 22, 2021, resolved by the Board of Directors, the Company issued Class A preference shares for capital increase by cash. The purpose of capital increase by cash is to repay the loans from financial institutions. The number of shares issued was 30,000 thousand with par value \$10 per share at the issuance price of \$45 totaling \$1,350,000 thousand. This capital increase plan has been approved by the Financial Supervisory Commission, with March 2, 2022 as the date of capital increase, and the relevant statutory registration procedures have since been completed.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

The rights and obligations of the Company's Preferred Shares A issued were as follows:

- 1) **Expiration date:** The Company's Preferred Shares A are perpetual and shareholders of the Preferred Shares A have no right to request redemption of such shares by the Company. However, the Company may redeem Preferred Shares A in whole or in part at any time from the next day of five years after issuance at the actual issue price. The rights and obligations of the remaining and outstanding Preferred Shares A as described in the preceding paragraphs will remain unchanged. Shareholders of the outstanding Preferred Shares A are entitled to receive declared dividends based on the actual days in the redemption year up to the date of redemption should the Company decide to declare dividend for the redemption year.
- 2) **Dividends:** Dividends of Preferred Shares A are calculated at 4.5% (five-year IRS rate of 0.87% + fixed overweight rate of 3.3%) per annum based on the issue price per share. The five-year IRS rate will be reset on the next business day after the five years since issuance and every subsequent five years. The pricing effective date for rate reset is two Taipei financial industry business days prior to the IRS rate reset date. The rate index, five-year IRS rate, is the arithmetic mean of five-year IRS rates appearing on Reuters pages "TAIFXIRS" and "COSMOS3" at 11:00 a.m. (Taipei time) on the relevant pricing effective date of rate reset. If such rate cannot be obtained, the Company will determine the rate based on the reasonable market price with good faith.
- 3) **Dividends distribution:** Dividends are distributed once per year in the form of cash. The Chairman is authorized by the Board of Directors to set the ex-dividend date and the amount of dividends to be paid for the previous fiscal year. In the year of issuance and redemption, the distribution of the payable dividends shall be calculated proportionally based on the actual number of days that the Preferred Shares A remained outstanding in that year.
- 4) If the Company has a surplus at the end of the year, after paying the tax and offsetting the prior years' deficits, it shall first make a legal capital reserve in accordance with the Articles of Incorporation, and then set aside or reverse a special capital reserve in accordance with relevant laws and regulations or the regulations of the competent authority. If there is still surplus, the Company shall give priority to the distribution of the dividend of Preferred Shares A. Further to the undistributed earnings at the beginning of the same period, the Board of Directors shall propose a proposal for the distribution of earnings.
- 5) The Company has discretion in dividend distribution of Preferred Shares A. The Company could choose not to distribute dividends of preferred shares when resolved by the stockholders, which would not be able to lead to default if the Company has no or insufficient current year's earnings for distribution or other necessary considerations.
- 6) The Preferred Shares A issued are non-cumulative. If the Company decides not to distribute preferred share dividends or to distribute insufficient dividends, the undistributed dividends or shortfalls in dividends distributed shall not be cumulative and shall cease to accrue and be payable, therefore no deferred payment will be paid in subsequent years where there are earnings.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- 7) Excessive dividend distribution: Except for the dividends referred in paragraphs (2) and (3) and, Preferred Shares A shareholders shall not participate in the distribution of common stocks with respect to earnings and capital surplus as cash and appropriation of capital.
- 8) Residual property distribution: The shareholders of Preferred Shares A have priority over shareholders of common stocks in distributing the Company's residual property, but the limit is the amount calculated by shares of outstanding preferred stocks issued and the issue price when distributing.
- 9) Right to vote and be elected: The shareholders of Preferred Shares A are not entitled to any voting rights or election during general shareholders' meeting. Shareholders of outstanding Preferred Shares A have mandatory voting rights with respect to agendas that would affect preferred shares in general shareholders' meeting and in preferred shareholders' meeting.
- 10) Conversion of ordinary shares: Preferred Shares A cannot be converted to ordinary shares.
- 11) The capital reserve for premium issuance of Preferred Shares A shall not be used as capital during the issuance period, except to make up for losses.
- 12) When the Company issues new shares by cash placement, the shareholders of Preferred Shares A and the shareholders of common stocks have the same right to subscribe new shares.

(iii) Capital surplus

The balances of capital surplus as of December 31, 2025 and 2024, were as follows:

	December 31, 2025	December 31, 2024
Additional paid-in capital	\$ 6,606,312	6,588,297
Treasury share transactions	253,718	253,696
Employee stock options	143,841	143,841
Conversion options of convertible corporate bonds	292,013	292,738
Other	24,504	32,056
	<u>\$ 7,320,388</u>	<u>7,310,628</u>

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

(Continued)

SUPREME ELECTRONICS CO., LTD.**Notes to the Financial Statements****(iv) Retained earnings**

The Company's Articles of Incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any. Of the remaining balance, the Company shall set aside a legal capital reserve at 10% until the accumulated legal capital reserve equals the Company's additional paid-in capital, after set aside or reverse a special capital reserve in accordance with relevant laws or regulations, residual earnings (hereinafter referred to as the "Earnings for the current year") should be added to the undistributed retained earnings at the beginning of the period as cumulative distributable earnings. Any remaining profit left shall first be distributed as dividends of preferred stock, and the Board of Directors should propose a resolution on earnings distribution. If the Company decides to distribute stock dividends, then it shall submit the proposal to the shareholders' meeting for approval.

The distribution of dividends is matched up with the Company's current year earnings, on a basis of dividend stability. The distribution of dividends shall not be less than 50% of earnings for the current year and the cash dividends shall not be less than 10% of total dividends. In case cash dividend per share is less than \$0.2 based on the aforementioned ratio, the Company could distribute stock dividends as a whole.

The Company distributes dividends and bonuses, or distributes all of or part of the legal reserve and capital surplus, if the distribution is in the form of cash, the distribution needs to be authorized by the agreement made by more than half the directors present with the attendance rate of the Board of Directors higher than two-thirds, and then report to the shareholders meeting.

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

According to FSC regulation, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(v) Earnings distribution

The amounts of cash dividends on the appropriations of earnings for 2024 and 2023 had been approved during the board meeting on March 10, 2025 and March 11, 2024, as well as the shareholders' meeting on May 27, 2025 and May 30, 2024, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2024</u>	<u>2023</u>
Dividends distributed to owners of ordinary shares:		
Cash	\$ <u>1,750,000</u>	<u>2,100,000</u>
Dividends distributed to owners of preference shares:		
Cash	\$ <u>60,750</u>	<u>60,750</u>

Earnings distribution for 2025 was decided by resolution adopted at the Board of Directors held on March 9, 2026. The relevant dividend distributions to shareholders were as follows:

	<u>2025</u>
Dividends distributed to owners of ordinary shares:	
Cash	\$ <u>1,985,000</u>
Dividends distributed to owners of preference shares:	
Cash	\$ <u>60,750</u>

(vi) Treasury shares

The Company repurchased treasury shares for the purpose of transferring shares to employees in accordance with the requirements of Securities and Exchange Act. As of December 31, 2025, the value and number of treasury shares repurchased by the Company were \$112,193 thousand and \$3,000 thousand shares, respectively, and the total number of untransferred shares was 3,000 thousand shares.

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

(q) Earnings per share

(i) Basic earnings per share

The calculation of the Company's basic earnings per share were as follows:

1) Profit attributable to ordinary shareholders of the Company

	<u>2025</u>	<u>2024</u>
Profit attributable to the Company	\$ 2,680,894	1,871,216
Less: dividends of preference shares	<u>(60,750)</u>	<u>(60,750)</u>
Profit attributable to ordinary shareholders of the Company	\$ <u>2,620,144</u>	<u>1,810,466</u>

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

2) Weighted average number of ordinary shares

	(in thousand of shares)	
	2025	2024
Issued ordinary shares on January 1	524,764	514,001
Effect of treasury shares held	(3,000)	(3,000)
Effect of conversion convertible corporate bonds	473	7,735
Weighted average number of ordinary shares on December 31	<u>522,237</u>	<u>518,736</u>

(ii) Diluted earnings per share

The calculation of the Company's diluted earnings per share were as follows:

1) Profit attributable to ordinary shareholders of the Company (diluted)

	2025	2024
Profit attributable to ordinary shareholders of the Company (basic)	\$ 2,620,144	1,810,466
Interest expense on convertible corporate bonds, net of tax	49,470	30,982
Profit attributable to ordinary shareholders of the Company (diluted)	<u>\$ 2,669,614</u>	<u>1,841,448</u>

2) Weighted average number of ordinary shares (diluted)

	(in thousand of shares)	
	2025	2024
Weighted average number of ordinary shares (basic)	522,237	518,736
Effect of convertible corporate bonds	39,475	26,431
Effect of employee stock bonuses if all transferred to shares	851	766
Weighted average number of ordinary shares (diluted)	<u>562,563</u>	<u>545,933</u>

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(r) Revenue from contracts with customers

(i) Details of revenue

	<u>2025</u>	<u>2024</u>
<u>Primary geographical markets</u>		
Taiwan	\$ 47,189,815	39,242,673
United States	14,593,558	15,596,743
Hong Kong and China	10,172,626	25,149,928
Others	<u>3,072,282</u>	<u>1,290,465</u>
	<u>\$ 75,028,281</u>	<u>81,279,809</u>
<u>Major products</u>		
DRAM	\$ 50,111,951	48,499,578
NAND Flash and other memory	16,609,606	23,301,798
System LSI	5,957,399	7,839,390
Others	<u>2,349,325</u>	<u>1,639,043</u>
	<u>\$ 75,028,281</u>	<u>81,279,809</u>

(ii) Contract balances

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>January 1, 2023</u>
Notes and trade receivables	\$ 13,727,729	8,784,786	9,058,658
Less: loss allowance	<u>-</u>	<u>(69,156)</u>	<u>(3,474)</u>
Total	<u>\$ 13,727,729</u>	<u>8,715,630</u>	<u>9,055,184</u>
Contract liabilities	<u>\$ 291,250</u>	<u>555,106</u>	<u>399,798</u>

- 1) For details on notes and trade receivables and allowance for impairment, please refer to note 6(d).
- 2) The contract liabilities primarily relate to the difference between the time at which the Company meets its performance obligations by transferring the goods to the customer and the time at which the customer makes the payment. The amounts of revenue recognized for the years ended December 31, 2025 and 2024 that were included in the contract liability balance at the beginning of the period, were \$555,104 thousand and \$399,780 thousand.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(s) Remunerations to employees, directors and supervisors

On May 27, 2025, the Company resolved at its shareholders' meeting to amend its Articles of Incorporation. Under the revised articles, if the Company incurs profit for the year, the profit should first be used to offset against any accumulated deficits. Thereafter, 1% to 5% of the profit before tax (in form of stock or cash) shall be appropriated as employee remuneration (of which, a minimum of 2% shall be reserved specifically for frontline employees); recipients may include employees of the Company's subsidiaries who meet certain requirements. Moreover, a maximum of 2% of the remaining profit (in cash) shall be appropriated as remunerations to directors and supervisors. The distribution shall first be resolved by the Board then reported at the shareholders' meeting.

Under the Articles of Incorporation prior to the amendment, if the Company incurs profit for the year, the profit should first be used to offset against any accumulated deficits. Thereafter, 1% to 5% of the profit before tax (in form of stock or cash) shall be appropriated as employee remuneration; recipients may include employees of the Company's subsidiaries who meet certain requirements. Moreover, a maximum of 2% of the remaining profit (in cash) shall be appropriated as remunerations to directors and supervisors. The distribution shall first be resolved by the Board then reported at the shareholders' meeting.

For the years ended December 31, 2025 and 2024, the Company estimated its employee remunerations of \$55,000 thousand (including those of frontline employees) and \$38,000 thousand, as well as its remunerations to both directors and supervisors amounting to \$11,000 thousand and \$7,500 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding the remunerations to employees, directors and supervisors for each period, multiplied by the percentage of remunerations to employees, directors and supervisors, as specified in the Company's Articles of Incorporation. These remunerations were expensed under operating expenses during the periods. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, were identical to those of the actual distributions for both years.

(t) Other gains and losses

The details of other gains and losses were as follows:

	<u>2025</u>	<u>2024</u>
Gain (loss) on financial assets and liabilities at fair value through profit or loss, net	\$ 20,965	(24,226)
Foreign currency exchange gain, net	117,874	119,967
Others	(18,005)	198
	<u>\$ 120,834</u>	<u>95,939</u>

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(u) Financial Instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises from the Company's trade receivables and investments.

1) Trade receivables and other receivables

The Company has adopted a policy that only trading with the parties with good credit standing and the Company shall secure a collateral to lighten the risk of financial loss arising from arrears when it is necessary. The major customers are rated by the Company, using public financial information and their transaction histories. The Company keeps monitoring the credit exposure and the customers' creditworthiness, and then distributes total transaction amounts into the qualified customers. The credit limit of the customers is reviewed and approved annually to control the credit exposure. For credit risk exposure of notes and trade receivables, please refer to note 6(d).

2) Investment

The credit risk exposure of bank deposits, fixed-income investment, and other financial instruments is measured and monitored by the Company's finance department. As the Company deals with banks and other external parties with good credit standing and with financial institutions which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

3) Exposure to credit risk

As of December 31, 2025 and 2024, the carrying amount of financial assets, which represents the maximum exposure to credit risk, amounting to \$15,012,959 thousand and \$9,792,021 thousand, respectively.

4) The major customers of the Company are centralized in the high-tech computer industry. As of December 31, 2025 and 2024, 70% and 41%, respectively, of ending balance of notes and trade receivables arose from sales to individual customers constituting the top five customers for the years ended December 31, 2025 and 2024. Thus, credit risk is significantly centralized. To minimize credit risk, the Company keeps evaluating customers' financial positions and ask them to provide a guarantee when it is necessary. For information on trade receivables factoring in order to control the credit risk of the trade receivables, please refer to note 6(d).

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the impact of estimated interest payments:

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1 ~ 2 years</u>	<u>2 ~ 5 years</u>
December 31, 2025					
Non-derivative financial liabilities					
Short-term borrowings	\$ 14,715,566	15,241,648	15,241,648	-	-
Notes and trade payables (including related parties)	2,191,347	2,191,347	2,191,347	-	-
Convertible corporate bonds payable	2,782,979	3,000,000	-	3,000,000	-
Lease liabilities	14,633	14,897	9,410	5,487	-
Other financial liabilities	168,177	168,177	168,177	-	-
	<u>\$ 19,872,702</u>	<u>20,616,069</u>	<u>17,610,582</u>	<u>3,005,487</u>	<u>-</u>
December 31, 2024					
Non-derivative financial liabilities					
Short-term and long-term borrowings (including current portion)	\$ 8,280,330	8,638,406	8,638,406	-	-
Notes and trade payables (including related parties)	1,452,584	1,452,584	1,452,584	-	-
Convertible corporate bonds payable	2,744,433	3,023,534	23,534	-	3,000,000
Lease liabilities	17,890	18,273	9,897	8,376	-
Other financial liabilities	121,078	121,078	121,078	-	-
	<u>\$ 12,616,315</u>	<u>13,253,875</u>	<u>10,245,499</u>	<u>8,376</u>	<u>3,000,000</u>

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

(iii) 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 Company'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.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

1) Exposure to foreign currency risk

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

	December 31, 2025			December 31, 2024			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>							
<u>Monetary items</u>							
USD	\$	440,192	31.43	13,835,235	280,136	32.78	9,182,858
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD	\$	392,460	31.43	12,335,019	214,546	32.78	7,032,818

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and trade receivables and other receivables, bank loans, notes and trade payables and other financial liabilities that are denominated in foreign currency.

A weakening or strengthening of 1% of the NTD against the USD as of December 31, 2025 and 2024, would have increased or decreased the net profit before tax by \$15,002 thousand and \$21,500 thousand, respectively. The analysis assumes that all other variables remain constant and is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

The Company's foreign exchange gains (losses) on monetary items (including realized and unrealized) translated to the Company's functional currency were as follows:

Functional currency	2025		2024	
	Exchange gains(losses)	Average exchange rate	Exchange gains(losses)	Average exchange rate
NTD	\$ <u>117,874</u>	1	<u>119,967</u>	1

4) Interest rate risk

The details of financial instruments exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2025	December 31, 2024
Variable-rate instruments:		
Financial assets	\$ 670,487	708,634
Financial liabilities	(14,715,566)	(8,280,330)
	<u>\$ (14,045,079)</u>	<u>(7,571,696)</u>

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

The sensitivity analysis is based on the exposure to the interest rate risk of non-derivative financial instruments on the reporting date. If the interest rate had increased / decreased by 1 basis points, the Company's net income would have decreased / increased by \$35,113 thousand and \$18,929 thousand for the years ended December 31, 2025 and 2024, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowings and bank deposits at variable rates.

(iv) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

	December 31, 2025				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ <u>155,315</u>	81,117	-	74,198	155,315
Financial assets at fair value through other comprehensive income					
Stock in unlisted companies	\$ 103,888	-	-	103,888	103,888
Debt investments-trade receivables	<u>880,385</u>	-	-	880,385	880,385
Subtotal	\$ <u>984,273</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 414,693				
Notes and trade receivables, net (including related parties)	12,847,344				
Other financial assets	<u>611,334</u>				
Subtotal	\$ <u>13,873,371</u>				
Financial liabilities at fair value through profit or loss					
Convertible bonds with embedded derivative financial instruments	\$ <u>9,900</u>	-	9,900	-	9,900

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

		December 31, 2025			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 14,715,566				
Notes and trade payable (including related parties)	2,191,347				
Convertible corporate bonds payable	2,782,979	-	2,803,924	-	2,803,924
Lease liabilities	14,633				
Other financial liabilities	168,177				
Subtotal	<u>\$ 19,872,702</u>				
		December 31, 2024			
		Fair Value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	<u>\$ 111,059</u>	93,452	-	17,607	111,059
Financial assets at fair value through other comprehensive income					
Stock in unlisted companies	\$ 9,975	-	-	9,975	9,975
Debt investments-trade receivables	2,891,413	-	-	2,891,413	2,891,413
Subtotal	<u>\$ 2,901,388</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 494,787				
Notes and trade receivables, net (including related parties)	5,824,217				
Other financial assets	460,570				
Subtotal	<u>\$ 6,779,574</u>				
Financial liabilities at fair value through profit or loss:					
Convertible bonds with embedded derivative financial instruments	<u>\$ 43,200</u>	-	43,200	-	43,200

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

	December 31, 2024				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term and short-term borrowings (including current portion)	\$ 8,280,330				
Notes and trade payable (including related parties)	1,452,584				
Convertible corporate bonds payable	2,744,433	-	2,739,929	-	2,739,929
Lease liabilities	17,890				
Other financial liabilities	<u>121,078</u>				
Subtotal	\$ 12,616,315				

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

a) Financial assets and financial liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

The fair value of financial instruments trade in an active market is based on the quoted market prices. The quotation, which is published by the main exchange counter or that which was deemed to be a public bond by the Treasury Bureau of Counter Bank, is included in the fair value of the listed securities instruments and the debt instruments in active market with open bid.

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.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

For financial instruments trade in an active market, their fair value are listed below by type and attributes:

- The stocks of publicly traded companies are financial assets which are traded in active market under standard terms and conditions. The fair value of the aforementioned stock is based on quoted market prices.

Except for the financial instruments at active market, the fair value of remaining financial instruments is obtained through evaluation technique or reference to the quotation of the other transaction party. The fair value obtained through evaluation techniques can be calculated by referring to the current fair value of other financial instruments with substantially similar conditions and characteristics, the discounted cash flow approach, or other evaluation techniques, including the calculation based on the market information acquirable on the consolidated balance sheet date by using models.

- Equity instruments with no quoted market prices: the fair value is estimated using the market comparable company method. Its main assumptions are measured on the basis of the operating income of the investee, earnings before interest, depreciation and amortization before tax, net worth per share and the multiplier of the company value and equity value derived by the comparable listed/OTC company. The estimate has adjusted the discount impact of the lack of market liquidity of the equity securities.
- The trade receivables measured at fair value through other comprehensive income held by the Company are estimated according to the trade receivables at the end of the period according to the discounted cash flow method.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants.

4) Reconciliation of Level 3 fair values

	<u>At fair value through profit or loss</u>	<u>At fair value through other comprehensive income</u>		
	Non-derivative financial assets mandatorily measured at fair value through profit or loss	Unquoted equity instruments	Debt instruments	Total
Opening balance, January 1, 2025	\$ 17,607	9,975	2,891,413	2,918,995
Total gains and losses recognized:				
Purchased	56,591	93,913	-	150,504
Reclassification amount of account receivable	-	-	(2,011,028)	(2,011,028)
Ending balance, December 31, 2025	<u>\$ 74,198</u>	<u>103,888</u>	<u>880,385</u>	<u>1,058,471</u>

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

	<u>At fair value through profit or loss</u>	<u>At fair value through other comprehensive income</u>		
	Non-derivative financial assets mandatorily measured at fair value through profit or loss	Unquoted equity instruments	Debt instruments	Total
Opening balance, January 1, 2024	\$ 14,223	18,292	3,290,486	3,323,001
Total gains and losses recognized:				
Recognized in other comprehensive income	-	(8,317)	-	(8,317)
Purchased	3,384	-	-	3,384
Reclassification amount of account receivable	-	-	(399,073)	(399,073)
Ending Balance, December 31, 2024	\$ <u>17,607</u>	<u>9,975</u>	<u>2,891,413</u>	<u>2,918,995</u>

For the years ended December 31, 2025 and 2024, total gains and losses that were included in "other gains and losses" and "unrealized gains and losses from financial assets at fair value through other comprehensive income".

There were no transfers between levels in the fair value hierarchy during 2025 and 2024.

- 5) Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

The Company's fair value measurements classified within Level 3 mainly relate to equity investments measured at fair value through other comprehensive income. The quantitative information about significant unobservable inputs is as follows:

- a) Equity instruments without an active market are measured using multiple significant unobservable inputs. Since these significant unobservable inputs are independent of one another, no interrelationships exist among them. The quantitative information relating to these significant unobservable inputs is presented as follows:

<u>Items</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets measured at fair value through other comprehensive income – equity instruments without an active market	Market comparable company method	- Lack-of-Marketability Discount (12/31/2025:30.00%) - P/B ratio multiplier (12/31/2025:6.28)	The estimated fair value would increase (decrease) if: - lack of marketability discount were lower(higher); - the multiplier were higher (lower)

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- 6) Fair value measurements in Level 3-sensitivity analysis of reasonable possible alternative assumptions

The fair value measurements of the Company's financial instruments are reasonable. For fairvalue measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

			Profit or loss		Other comprehensive income	
	Inputs	Variation	Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2025						
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Lack of marketability discount	5%	-	-	9,289	(9,289)
	P/B ratio	10%	-	-	13,126	(13,025)

The Company's favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(v) Financial risk management

(i) Structure of risk management

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

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

(ii) The Company is exposed to the following risks arising from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

Note 6(u) presents detailed information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk.

(w) Capital management

The Company's objectives for managing capital to safeguard the capacity to continue to operate, to safeguard the certainty and stability of its financial resources 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. The management uses the asset-liability ratio to manage capital. As of December 31, 2025 and 2024, the Company's asset-liability ratios were 55% and 46%, respectively. As of December 31, 2025, there were no changes in the Company's approach to capital management.

(x) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2025 and 2024 were as follows:

	<u>January 1, 2025</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>December 31, 2025</u>
Long-term borrowings (including current portion)	\$ 1,802,900	(1,802,900)	-	-
Short-term borrowings	6,477,430	8,238,136	-	14,715,566
Convertible corporate bonds payable	2,744,433	(700)	39,246	2,782,979
Lease liabilities	17,890	(11,511)	8,254	14,633
Total liabilities from financing activities	<u>\$ 11,042,653</u>	<u>6,423,025</u>	<u>47,500</u>	<u>17,513,178</u>
	<u>January 1, 2024</u>	<u>Cash flows</u>	<u>Non-cash changes</u>	<u>December 31, 2024</u>
Long-term borrowings (including current portion)	\$ 1,810,000	(7,100)	-	1,802,900
Short-term borrowings	5,965,400	512,030	-	6,477,430
Convertible corporate bonds payable	497,114	3,001,000	(753,681)	2,744,433
Lease liabilities	11,608	(9,468)	15,750	17,890
Total liabilities from financing activities	<u>\$ 8,284,122</u>	<u>3,496,462</u>	<u>(737,931)</u>	<u>11,042,653</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are the Company's subsidiaries and entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
SUPREME INTERNATIONAL CO., LTD. (WEST SAMOA)	Subsidiary of the Company
GO-TECH ENERGY CO., LTD. (GO-TECH ENERGY)	Subsidiary of the Company
POCT BIOTECHNOLOGY CO., LTD. (POCT)	Subsidiary of the Company
BILLION PIXELS OPTICS CO., LTD (BILLION)	Subsidiary of the Company

(Continued)

SUPREME ELECTRONICS CO., LTD.**Notes to the Financial Statements**

Name of related party	Relationship with the Company
WORLD PACIFIC INDUSTRIAL H.K LIMITED (WORLD PACIFIC (HK))	Subsidiary of the Company
ALFO ELECTRONICS INDIA PRIVATE LIMITED (ALFO (INDIA))	Subsidiary of the Company
GOLDEN SUPREME INTERNATIONAL PTE. LTD. (GOLDENSUPREME(SGP))	Subsidiary of the Company
SUPREME INTERNATIONAL ELECTRONICS LLC (SUPREME(US))	Subsidiary of the Company
ALFO INTERNATIONAL CO., LTD. (CAYMAN ALFO)	Subsidiary of the Company
MIGHTY COSMO LIMITED (SAMOA MIGHTY)	Subsidiary of the Company
HK XZJ DIGITAL LIMITED (HK XZJ)	Subsidiary of the Company
SOUTH BASE INTERNATIONAL TECHNOLOGY LIMITED (SOUTH BASE (HK))	Subsidiary of the Company
DARIO INVESTMENTS LIMITED (SAMOA DARIO)	Subsidiary of the Company
GOLDEN SUPREME INTERNATIONAL LTD. (GOLDEN SUPREME (HK))	Subsidiary of the Company
GOLDEN SUPREME INTERNATIONAL TRADING (SHANGHAI) LIMITED (GOLDEN SUPREME (SH))	Subsidiary of the Company
SOUTH BASE TECHNOLOGY LIMITED (SHENZHEN) (SOUTH BASE (SZ))	Subsidiary of the Company
SHANGHAI YING YI SOUTH BASE TECHNOLOGY LIMITED (SOUTH BASE (SH))	Subsidiary of the Company
TOPLEAD ELECTRONICS CO., LTD. (TOPLEAD ELECTRONICS)	An associate of the Company
EPLUS ASIA LIMITED (EPLUS ASIA)	An associate of the Company
MARS SEMICONDUCTOR CORP. (MARS)	The Company serves as the legal director of the company
HIGH TECH CHARITY ASSOCIATION	The Company's key management personnel currently serves as director of the association

(Continued)

SUPREME ELECTRONICS CO., LTD.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions and outstanding balances by the Company to related parties were as follows:

	Sales		Trade receivables due from related party	
	2025	2024	December 31, 2025	December 31, 2024
Subsidiaries				
GOLDEN SUPREME (HK) \$	1,243,289	1,542,681	151,595	2,721
GOLDEN SUPREME (SH)	8,578	-	2,817	-
WORLD PACIFIC (HK)	16,741	-	-	-
GO-TECH ENERGY	-	95	576	947
Associates				
TOPLEAD ELECTRONICS	38,733	8,217,551	11,329	56,539
EPLUS ASIA	1,574	2,288	-	-
	<u>\$ 1,308,915</u>	<u>9,762,615</u>	<u>166,317</u>	<u>60,207</u>

- 1) For the years ended December 31, 2025 and 2024, the Company purchased goods for related parties and then sold to related parties, amounted to \$1,564,534 thousand and \$1,924,797 thousand, respectively. The Company had already deducted the same amount of sales revenue and cost of goods sold on account. For the years ended December 31, 2025 and 2024, commissions revenue due to these transactions amounted to \$10,934 thousand and \$5,129 thousand, respectively.
- 2) The pricing of sales transactions between the Company and its subsidiaries is determined with reference to prevailing market prices, adjusted for mark-ups or discounts based on procurement costs, handling charges, and miscellaneous expenses. Settlement terms are generally on a monthly basis with credit periods ranging from 30 to 90 days. The pricing and credit terms offered to associates do not differ materially from those offered to third-party customers.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(ii) Purchases

The amounts of significant purchase by the Company from related parties were as follows:

	Purchases		Trade payables due from related party	
	2025	2024	December 31, 2025	December 31, 2024
Subsidiaries				
GOLDEN SUPREME (HK)	\$ 3,355,090	13,376,798	-	-
GO-TECH ENERGY	-	110	-	-
Other related parties	<u>2,252</u>	<u>55</u>	<u>660</u>	<u>33</u>
	<u>\$ 3,357,342</u>	<u>13,376,963</u>	<u>660</u>	<u>33</u>

The pricing of purchase transactions with subsidiaries were at prices with markup adjustments based on the market price or at purchase prices plus expenses such as freight, customs clearance fees and miscellaneous fees. The payment terms were not significantly different from those offered by other vendors.

The Company delegated subsidiaries to purchase inventories. The amounts of purchase for 2025 and 2024 amounted to \$144,354 thousand and \$7,638,675 thousand, respectively. As of December 31, 2025 and 2024, payments due to these transactions amounted to \$23,417 thousand and \$112,960 thousand, respectively.

(iii) Management expenses

	Transaction amounts		Other current financial liabilities	
	2025	2024	December 31, 2025	December 31, 2024
Subsidiaries-warehouse management services	<u>\$ 9,679</u>	<u>9,838</u>	<u>1,793</u>	<u>3,639</u>

(iv) Leases

The Company leased an office building to subsidiaries and the rental revenue for 2025 and 2024 both amounted to \$60 thousand. The full amount was received by the end of each period, and the transaction prices were not significantly different from normal prices.

(v) Equity transaction

The Company acquired shares of Golden Supreme (SGP) from Golden Supreme (HK) in 2024, please refer to note 6(g).

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(vi) Others

- 1) The Company provided inventory management, information and financial management services to associates. The service revenues for 2025 and 2024 amounted to \$529 thousand and \$222 thousand, respectively, and the ending balances as of December 31, 2025 amounted to \$15 thousand, under “other current financial assets”. The outstanding balance as of the end of 2024 has been fully settled.
- 2) The Company provided human resources, market services, information and financial management services to subsidiaries. The services revenue for 2025 and 2024 amounted to \$20,637 thousand and \$19,896 thousand, respectively, and the ending balances were both \$3,000 thousand, under “other current financial assets”.
- 3) Subsidiary sold goods to the Company and the Company recognized expenses amounting to \$175 thousand and \$311 thousand in 2025 and 2024, respectively. As of December 31, 2025 and 2024, there were no balance of payables.
- 4) Subsidiary transferred patent rights to the Company. In 2025, the Company recognized related expenses amounting to NT\$229 thousand. No such transactions occurred in 2024, and no outstanding payable remained as of December 31, 2025.
- 5) In 2025 and 2024, the Company made donations of \$3,000 thousand and \$300 thousand to other related parties.

(vii) Guarantee

The guarantees, provided by the Company, for bank loans which had been taken out by subsidiaries were as follows:

	December 31, 2025	December 31, 2024
Subsidiaries		
GOLDEN SUPREME (HK)	\$ 2,200,100	2,294,600
WORLD PACIFIC (HK)	628,600	655,600
SOUTH BASE (HK)	7,574,630	2,589,620
GOLDEN SUPREME (SH)	3,578,568	2,685,575
HK XZJ	<u>4,133,045</u>	<u>4,638,370</u>
	<u>\$ 18,114,943</u>	<u>12,863,765</u>

For the years ended December 31, 2025 and 2024, the Company had received service revenues of the guarantees for loans taken out by subsidiaries, amounting to \$14,400 thousand and \$18,817 thousand, respectively, under “other income”. As of December 31, 2025 and 2024, the outstanding service revenue amounted to \$539 thousand and \$871 thousand, respectively, under “other current financial assets”.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(viii) Loans

To meet the funding requirements of Supreme (US), a subsidiary incorporated in the United States, the Board of Directors resolved in November 2025 to extend a loan facility of \$1,000,000 thousand to the subsidiary. The loan is available for drawdown or revolving use within one year. As of December 31, 2025, no amounts had been drawn down.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2025	2024
Short-term employee benefits	\$ 94,891	70,562
Post-employment benefits	1,192	965
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based payments	-	-
	<u>\$ 96,083</u>	<u>71,527</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2025	December 31, 2024
Restricted bank deposits (under other receivables-other)	Long and short-term borrowings	\$ 256,141	214,198
Notes and trade receivables	Short-term borrowings	-	79,111
Land and Buildings	Short-term borrowings and its credit line	216,304	218,649
		<u>\$ 472,445</u>	<u>511,958</u>

(9) Significant Commitments and Contingencies:

(a) The secured letters of credit for purchases and borrowings of the Company were as follows:

(in thousand of US Dollar)

Name of assets	December 31, 2025	December 31, 2024
Unused letters of credit	\$ <u>3,438</u>	<u>2,315</u>
Outstanding standby letter of credit	\$ <u>-</u>	<u>1,000</u>

(b) The Company has demand for operating and financing capital. As of December 31, 2025 and 2024, the amounts of the guarantees provided to financial institutions by the Company were \$18,114,943 thousand and \$12,863,765 thousand, respectively.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

A summary of employee benefits, depreciation, and amortization, by function, was as follows:

By item	By function	2025			2024		
		Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits							
Salary		-	392,073	392,073	-	329,312	329,312
Labor and health insurance		-	26,172	26,172	-	24,330	24,330
Pension		-	13,866	13,866	-	13,064	13,064
Remuneration of directors		-	14,030	14,030	-	10,370	10,370
Others		-	40,407	40,407	-	33,497	33,497
Depreciation		-	27,096	27,096	-	25,244	25,244
Amortization		-	11,761	11,761	-	12,533	12,533

The number of the Company's employees and employee benefit expenses for the years ended December 31, 2025 and 2024, were as follows:

	2025	2024
The number of employees	<u>224</u>	<u>212</u>
The number of directors who are not adjuncted	<u>5</u>	<u>5</u>
Average of employee benefit expenses	<u>\$ 2,158</u>	<u>1,933</u>
Average of employee salary expenses	<u>\$ 1,790</u>	<u>1,591</u>
Adjustment to average of employee salary expenses	<u>12.51 %</u>	<u>(22.69)%</u>
Supervisors' average remuneration	<u>\$ -</u>	<u>-</u>

Employee salary includes monthly fixed salary, allowances and subsidies, variable bonuses, and employee compensations, etc.. The amount of bonuses and employee compensations are based on employee's performance, special contributions, etc..

Manager salary includes monthly fixed salary, allowances and subsidies, variable bonuses, and employee compensations, etc.. The manager has to set business goals and bonus distribution plans. The compensation committee will review the bonus distribution amount based on the manager's achievement rate during the period.

The compensation of the directors is provided annually in accordance with Article 20 of the Company's Articles of Incorporation association. After reviewing the compensation, the compensation committee will send it to the Board of Directors for approval and report to the shareholders' meeting.

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

SUPREME ELECTRONICS CO., LTD.
Notes to 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 Company for the year 2025:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 3)	Amount actually drawn	Interest rate	Nature of financing (Note 4)	Transaction amounts	Reason for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company (Note 2)	Maximum financing limit for the lender (Note 1)
													Item	Value		
0	The Company	Supreme (US)	Other receivables from related parties	Yes	1,000,000	1,000,000	-	- %	2	-	Operating capital	-	-	-	1,909,479	3,818,958

Note 1: The aggregate amount of loans extended to others shall not exceed 20% of the Company's net worth as presented in the most recent financial statements.

Note 2: The loan extended by the Company to any single entity shall not exceed 10% of the Company's net worth as presented in the most recent financial statements.

Note 3: Period-end balances represent the amounts approved by the Board of Directors for loan purposes.

Note 4: The nature of the loans is as follows:

- (1) Counterparties with business relationships; and
- (2) Parties with short-term financing needs.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/guarantees to third parties on behalf of parent company	Endorsements/guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	GOLDEN SUPREME (HK)	The Company indirectly invest through CAYMAN ALFO	22,913,747	2,322,600	2,200,100	2,200,100	-	11.52 %	47,736,973	Y	N	N
"	"	GOLDEN SUPREME (SH)	"	22,913,747	3,578,568	3,578,568	2,326,128	-	18.74 %	47,736,973	Y	N	Y
"	"	HK XZJ	"	22,913,747	4,644,030	4,133,045	782,607	-	21.64 %	47,736,973	Y	N	N
"	"	WORLD PACIFIC (HK)	Subsidiary	22,913,747	663,600	628,600	46,831	-	3.29 %	47,736,973	Y	N	N
"	"	SOUTH BASE (HK)	The Company indirectly invest through WEST SAMOA	22,913,747	7,743,960	7,574,630	5,104,232	-	39.67 %	47,736,973	Y	N	N

Note 1: The guarantee amounts given to single entity shall not exceed 120% of the Company's net worth in the latest financial statements.

Note 2: The highest balance for guarantees can not exceed 250% of the Company's net worth in the latest financial statement.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (iii) Material securities held as of December 31, 2025 (excluding investment in subsidiaries, associates and joint ventures):

(in thousand of shares)

Name of holder	Category and name of security	Relationship with company	Account name	Ending balance				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	MARS SEMICONDUCTOR CORP.	Related parties	Financial assets at fair value through profit or loss	1,974	\$ 81,117	6.80	\$ 81,117	
"	M.I.F.L.P FUND	None	"	-	51,161	5.32	51,161	
"	SHENZHEN QUANXING TECHNOLOGY LIMITED	"	Financial assets at fair value through other comprehensive income	-	91,984	1.88	91,984	
GOLDEN SUPREME (SH)	HAINING LEZHONG INFORMATION TECHNOLOGY LIMITED	"	Financial assets at fair value through profit or loss	4,019	37,598	12.18	37,598	
"	JIANGXI HOLITECH TECHNOLOGY CO., LTD.	"	"	2,140	29,185	0.03	29,185	

Note: Only financial instruments with period-end balances equal to or exceeding NT\$30 million are disclosed.

- (iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Trade receivables (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases (sales)	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	GOLDEN SUPREME (HK)	Subsidiary of the Company	Purchase	3,355,090	4.40 %	Note	No significant difference	No significant difference	-	- %	
"	"	"	(Sale)	(1,243,289)	(1.66)%	"	"	"	151,595	1.10 %	
GOLDEN SUPREME (HK)	The Company	Parent company of GOLDEN SUPREME (HK)	(Sale)	(3,355,090)	(3.35)%	"	"	"	-	- %	
"	"	"	Purchase	1,243,289	1.20 %	"	"	"	(151,595)	(30.09)%	
"	GOLDEN SUPREME (SH)	Affiliated	(Sale)	(548,222)	(0.55)%	"	"	"	127,631	0.78 %	
"	HK XZJ	"	(Sale)	(49,379,587)	(49.28)%	"	"	"	6,967,767	42.58 %	
GOLDEN SUPREME (SH)	GOLDEN SUPREME (HK)	"	Purchase	548,222	6.48 %	"	"	"	(127,631)	(97.83)%	
HK XZJ	"	"	Purchase	49,379,587	79.65 %	"	"	"	(6,967,767)	(93.24)%	
"	HONG KONG DIANZHI	Substantive related party	(Sale)	(1,173,767)	(1.86)%	"	"	"	193,197	2.14 %	
"	MARK CORE	"	(Sale)	(640,410)	(1.02)%	"	"	"	1,498	0.02 %	
SOUTH BASE (HK)	SOUTH BASE (SZ)	Subsidiary of SOUTH BASE (HK)	(Sale)	(270,288)	(0.82)%	"	"	"	9,239	0.21 %	
SOUTH BASE (SZ)	SOUTH BASE (HK)	Parent company of SOUTH BASE (SZ)	Purchase	270,288	88.66 %	"	"	"	(9,239)	(49.13)%	

Note: The payment terms were 30 days to 120 days, and the payment period can be adjusted after the discretion of both parties.

(Continued)

SUPREME ELECTRONICS CO., LTD.

Notes to the Financial Statements

- (v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Loss allowance
					Amount	Action taken		
The Company	GOLDEN SUPREME(HK)	Subsidiary of the Company	151,595(Note 2)	34.42	-	-	11,320	-
GOLDEN SUPREME(HK)	GOLDEN SUPREME (SH)	Affiliated	127,631(Note 2)	5.69	-	-	-	-
"	HK XZJ	"	6,967,767	9.57	-	-	6,949,808	-
"	HUIZHOU FULI	Associate	373,394(Note 2)	0.37	373,394	-	-	373,394
WORLD PACIFIC (HK)	GOLDEN SUPREME(SH)	Affiliated	138,859(Note 2)	2.00	-	-	12,194	-
HK XZJ	HONG KONG DIANZHI	Substantive related party	193,197	3.19	-	-	193,197	-

Note 1: Until February 23, 2026.

Note 2: The trade receivables resulted from goods sold, which is considered as on behalf of the procurement in the financial statements, had already deducted the same amount of sales revenue and cost of goods sold.

- (b) Information on investees:

The following is the information on investees for the year 2025 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2025			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	WEST SAMOA	SAMOA	Investment corporation	4,293,866	4,293,866	131,598	100.00 %	14,558,717	1,150,122	1,150,122	
"	GO-TECH ENERGY	Taiwan	Manufacture of batteries and service of energy technique	356,333	326,333	15,689	73.83 %	13,766	(32,261)	(23,140)	
"	SUNAMPER ELECTRONIC	Taiwan	Trading of computer hardware and software and components	26,467	26,467	2,897	37.38 %	-	-	-	Note 1
"	POCT	Taiwan	Biotechnology related products	30,000	30,000	3,000	100.00 %	11,779	1,623	1,623	
"	BILLION	Taiwan	Manufacturing and trading of electronics parts	5,100	5,100	510	51.00 %	5,019	39	20	
"	WORLD PACIFIC (HK)	Hong Kong	Warehousing services and import/export business	259,515	259,915	60,812	100.00 %	504,814	68,817	68,817	
"	ALFO (INDIA)	India	Import/export trading of battery cells and electronic parts	6,631	6,631	1,700	100.00 %	5,652	(217)	(217)	
"	GOLDEN SUPREME (SGP)	Singapore	Trading of electronic parts	24,026	24,026	1,000	100.00 %	9,186	(12,605)	(12,605)	Note 3
"	Supreme(US)	America	Trading of electronic parts	30,440	-	-	100.00 %	31,425	(5)	(5)	Note 4
GO-TECH ENERGY	OODO BIKE	Taiwan	Manufacture of automotive and its parts	10,500	10,500	1,050	35.00 %	-	-	-	Note 2
WEST SAMOA	CAYMAN ALFO	Cayman	Investment corporation	4,369,558	4,369,558	138,473	100.00 %	13,372,939	1,059,033	1,059,033	
"	SAMOA MIGHTY	SAMOA	Investment corporation	294,938	294,938	527	65.00 %	799,898	92,639	60,215	
"	SOUTH BASE(HK)	Hong Kong	Trading of electronic parts	65,934	65,934	2,273	20.00 %	384,981	154,398	30,880	
SAMOA MIGHTY	SAMOA DARIO	SAMOA	Investment corporation	24,534	24,534	811	100.00 %	1,110,026	92,639	92,639	
SAMOA DARIO	SOUTH BASE(HK)	Hong Kong	Trading of electronic parts	24,534	24,534	6,818	60.00 %	1,110,026	154,398	92,639	
CAYMAN ALFO	GOLDEN SUPREME(HK)	Hong Kong	Trading of electronic parts	4,171,035	4,171,035	1,021,800	100.00 %	12,232,504	890,062	890,062	
"	Eplus	Korea	Trading of electronic parts	41,174	41,174	39	20.00 %	54,987	14,870	2,661	
"	Eplus Asia	Hong Kong	Trading of electronic parts	8	8	2	20.00 %	4,760	4,003	2,167	
"	TOPLEAD ELECTRONICS	Taiwan	Trading of electronic parts	1,000	1,000	100	20.00 %	2,172	(233)	(1,283)	
"	HK XZJ	Hong Kong	Trading of electronic parts	284,776	284,776	10,098	51.00 %	540,330	303,915	154,997	
GOLDEN SUPREME (HK)	ORIENTAL SUPREME ELECTRONICS	Hong Kong	Investment corporation	90,520	90,520	22,500	30.00 %	-	(61,114)	(14,569)	

Note 1: SUNAMPER ELECTRONIC had been closed.

Note 2: OODO BIKE had been dissolved.

Note 3: GOLDEN SUPREME (SGP) was sold to The Company by GOLDEN SUPREME (HK) on October, 2024.

Note 4: Supreme (US) completed its incorporation registration in 2025 and received its capital injection in October.

(Continued)

SUPREME ELECTRONICS CO., LTD.
Notes to the Financial Statements

(c) Information on investment in Mainland China:

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

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	Investment income (note 1)	Book value (note 1)	Accumulated remittance of earnings in current period
					Outflow	Inflow						
GOLDEN SUPREME (SH)	Trading of electronic parts	369,011	Indirectly invest through CAYMAN ALFO	369,011	-	-	369,011	10,612	100%	10,612	529,378	-
HUIZHOU FULI	Processing and selling of polarizer	282,587	Indirectly invest through ORIENTAL SUPREME ELECTRONICS	-	-	-	-	(61,304)	30%	(14,698)	-	-
SOUTH BASE (SZ)	Trading of electronic parts	153,553	Indirectly invest through subsidiary SOUTH BASE (HK)	-	-	-	-	14,962	59%	8,828	131,007	-
SOUTH BASE (SH)	Trading of electronic parts	13,576	#	-	-	-	-	9,072	59%	5,352	15,169	-
SHENZHEN QUANXING TECHNOLOGY CO., LTD.	Manufacturing and trading of electronic components	536,792	Invested directly through the Company	-	91,984	-	91,984	243,291	1.88%	-	91,984	-

Note 1: The investee company, using the equity method, is valued and accounted for based on the financial statements audited by the Company's auditors.

(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
510,520	1,015,437	11,456,873

(iii) Significant transactions with the subsidiary in Mainland China:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in "Information on significant transactions".

(14) Segment information:

Please refer to the Company's consolidated financial statements for the year ended December 31, 2025, for details.

SUPREME ELECTRONICS CO., LTD.**Statement of cash and cash equivalents****December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Cash on hand and petty cash	\$ 347
Demand deposits and check deposits	269,988
Foreign currency deposit (USD4,545 thousand, Exchange rate 31.43; HKD365 thousand, Exchange rate 4.0388)	144,358
	\$ 414,693

Statement of notes and trade receivables

Item	Description	Amount
Notes and trade receivables (Including related parties)		
Corporation X	Operating revenue	\$ 2,793,995
Corporation F	"	2,750,756
Corporation Y	"	2,289,125
Corporation W	"	1,619,118
Corporation Z	"	925,007
Other (Less than 5%)	"	3,349,728
Total		13,727,729
Less: loss allowance		-
Net notes and trade receivable		\$ 13,727,729

SUPREME ELECTRONICS CO., LTD.**Statement of other current financial assets****December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

Item	Description	Amount
Rest payment of trade receivables factoring	The rest payment of trade receivables while factoring with financial institutions	\$ 325,666
Other (individual amount not exceeding 5%)		5,289
Total		<u><u>\$ 330,955</u></u>

Statement of inventories

Item	Amount	
	Cost	Net realizable value
Merchandises (including Inventories-in-transit)	\$ 12,319,627	<u>12,724,558</u>
Less: Allowance for Impairment loss	(499,691)	
	<u><u>\$ 11,819,936</u></u>	

Statement of other current assets

Item	Amount
Overpaid sales tax	\$ 493,917
Other (individual amount not exceeding 5%)	10,340
Total	<u><u>\$ 504,257</u></u>

SUPREME ELECTRONICS CO., LTD.

Statement of changes in investments accounted for using equity method

From January 1 to December 31, 2025

(Expressed in thousands of New Taiwan Dollars / Thousand shares)

Name of Investee	Beginning Balance		Additions/Disposal		Share of profits/(losses) of investee	Cumulative translation adjustment	Other adjustments	Ending Balance			Market value or book value	Pledged of guarantee
	Number of shares	Amount	Number of shares	Amount				Number of shares	Percentage of holding shares	Amount		
Valued with equity method:												
WEST SAMOA	131,598	\$ 13,947,346	-	-	1,150,122	(538,751)	-	131,598	100.00 %	\$ 14,558,717	14,558,717	None
GO-TECH ENERGY	12,689	14,536	3,000	30,000	(23,140)	-	(7,630)(Note)	15,689	73.83 %	13,766	13,766	"
SUNAMPER ELECTRONIC	2,897	-	-	-	-	-	-	2,897	37.38 %	-	-	"
POCT	3,000	10,156	-	-	1,623	-	-	3,000	100.00 %	11,779	11,779	"
BILLION	510	4,999	-	-	20	-	-	510	51.00 %	5,019	5,019	"
WORLD PACIFIC (HK)	60,812	453,786	-	-	68,817	(17,789)	-	60,812	100.00 %	504,814	504,814	"
ALFO(INDIA)	1,700	6,408	-	-	(217)	(539)	-	1,700	100.00 %	5,652	5,652	"
GOLDEN SUPREME(SGP)	1,000	22,816	-	-	(12,605)	(1,025)	-	1,000	100.00 %	9,186	9,186	"
Supreme(US)	-	-	-	30,440	(5)	990	-	-	100.00 %	31,425	31,425	"
Total		<u>\$ 14,460,047</u>		<u>60,440</u>	<u>1,184,615</u>	<u>(557,114)</u>	<u>(7,630)</u>			<u>\$ 15,140,358</u>		

Note: The subsidiary conducted cash capital increase, inwhich the Company did not invest according to the original shareholding ratio. This resulted in a difference between the acquisition price and the book value of the subsidiary's equity.

SUPREME ELECTRONICS CO., LTD.

Statement of changes in property, plant and equipment

From January 1 to December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(h) Property, plant and equipment.

Statement of changes in right-of-use assets

Please refer to note 6(i) Right-of-use assets.

Statement of other non-current assets

December 31, 2025

Item	Amount
Deferred income tax assets	\$ 328,488
Membership card	36,815
Refundable deposits	24,238
Other deferred expensess	12,078
Other (individual amount not exceeding 5%)	<u>2,078</u>
	<u>\$ 403,697</u>

SUPREME ELECTRONICS CO., LTD.

Statement of bank loan

December 31, 2025

(Expressed in thousands of New Taiwan Dollars)

Creditor	Description	Ending Balance	Term of contract	Interest rate	Financial line	Pledged on guaranteed
	Letter of Credit and					
Agricultural Bank of Taiwan	Credit Loans	\$ 932,124	Within a year	2.05%~4.74%	1,000,000	None
Yuanta Bank	Credit Loans	2,448,397	"	4.48%~4.83%	3,551,590	"
Bank of China	"	920,035	"	2.15%~4.88%	942,900	"
Bank of Taiwan	"	801,440	"	1.96%~4.80%	851,440	"
Chang Hwa Bank	"	736,065	"	1.95%~5.21%	788,580	"
HSBC Bank	"	697,746	"	4.93%	942,900	"
Taiwan Business Bank	"	682,870	"	2.05%~5.06%	800,000	"
DBS Bank	"	660,030	"	4.79%	1,571,500	"
Export-Import Bank of the Republic of China	"	600,000	"	1.94%	600,000	"
Bank of East Asia	"	471,450	"	4.65%~4.75%	471,450	"
E.SUN Bank	"	440,020	"	5.06%	450,000	"
Taipei Fubon Commercial Bank Co.,Ltd.	"	440,020	"	4.64%~4.67%	628,600	"
Far Eastern International Bank	"	400,000	"	2.05%	500,000	"
Land Bank of Taiwan	"	300,000	"	2.00%	300,000	"
Taiwan Cooperative Bank	"	300,000	"	2.03%	400,000	"
Taishin International Bank	"	300,000	"	2.00%	500,000	"
KGI Bank	"	292,299	"	4.84%	1,871,500	"
Cathay United Bank	"	281,463	"	4.30%~4.45%	314,300	"
Bank of Kaohsiung, BOK	"	220,010	"	5.05%	220,010	"
Shanghai Commercial Bank	"	157,150	"	4.74%	157,150	"
Taichung Commercial Bank	"	157,150	"	5.17%	160,000	"
	Secured and Letter					
First Commercial Bank	of Credit Loans	372,559	"	4.77%~4.92%	671,450	Land and buildings
Mega International Commercial Bank	Secured Loans	465,164	"	4.60%	500,000	Certificate of deposits
Taiwan Cooperative Bank	"	345,730	"	4.73%	550,000	Certificate of deposits
						Land, buildings and
Hua Nan Commercial Bank	"	343,844	"	4.64~4.68%	700,000	certificate of deposit
Other	-	950,000	"	1.98%~2.04%	50,000~750,000	None
		<u>\$ 14,715,566</u>				

SUPREME ELECTRONICS CO., LTD.**Statement of notes and accounts payable****December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Corporation B	\$ 871,672
Corporation A	353,172
Corporation I	220,554
Corporation D	194,990
Corporation J	107,645
Other (individual amount not exceeding 5%)	<u>419,237</u>
Total	<u><u>\$ 2,167,270</u></u>

SUPREME ELECTRONICS CO., LTD.**Statement of other current financial liabilities****December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Accrued technical service fees	\$ 82,817
Accrued interest payable	37,696
Import VAT Payable	12,169
Other (individual amount not exceeding 5%)	35,495
Total	<u><u>\$ 168,177</u></u>

Statement of other current liabilities

Item	Amount
Refund liabilities	\$ 1,588,558
Income tax payable	617,103
Contract liabilities	291,250
Payroll payable (including year-end bonus)	158,821
Other (individual amount not exceeding 5%)	30,869
Total	<u><u>\$ 2,686,601</u></u>

SUPREME ELECTRONICS CO., LTD.**Statement of other non-current liabilities****December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Deferred tax liabilities	\$ 1,453,227
Other (individual amount not exceeding 5%)	<u>46,299</u>
Total	<u><u>\$ 1,499,526</u></u>

Statement of operating revenue**From January 1 to December 31, 2025**

Please refer to note 6(r).

SUPREME ELECTRONICS CO., LTD.**Statement of operating costs****From January 1 to December 31, 2025****(Expressed in thousands of New Taiwan Dollars)**

Item	Amount
Beginning inventories (inventories-in-transit are included)	\$ 9,735,755
Add: Purchases	74,148,372
Reversal of impairment loss of inventories	84,210
Other	30,198
Less: Ending inventories (inventories-in-transit are included)	(12,319,627)
Sample expenses	(34,210)
Inventory obsolescence	(21,982)
Operating costs	<u><u>\$ 71,622,716</u></u>

Statement of operating expenses

Item	Selling and administrative expenses	Research and development expenses
Salaries	\$ 349,064	43,009
Market Service Fee	80,715	-
Export expenses	67,434	213
Other (individual amount not exceeding 5%)	353,387	62,099
Total	<u><u>\$ 850,600</u></u>	<u><u>105,321</u></u>