

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Review Report For the Six Months Ended June 30, 2025 and 2024

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors and Shareholders of CipherLab Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of CipherLab Co., Ltd. and its subsidiaries (hereinafter “the consolidated company”) as of June 30, 2025 and 2024, and the related consolidated statement of comprehensive income for the three months ended June 30, 2025 and 2024, and for the six months ended June 30, 2025 and 2024, and the consolidated statement of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the International Standard on Review Engagements No. 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2025 and 2024, and of its consolidated financial performance for the three months ended June 30, 2025 and 2024, and its consolidated financial performance and cash flows for the six months ended June 30, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Accountant Yu, Meng-Kuei, Accountant Huang, Hai-Yueh

Financial Supervisory Commission R.O.C.
(Taiwan) Approved
FSC Securities Review No. 1130357402

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
MOF Securities No. 0920131587

August 6, 2025

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2025, December 31, 2024, and June 30, 2024

In Thousands of New Taiwan Dollars

Code	Assets	June 30, 2025		December 31, 2024		June 30, 2024	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash (Note 6)	\$ 180,492	16	\$ 129,690	11	\$ 151,914	12
1110	Financial assets at fair value through profit or loss – current (Note 7 & 27)	9,541	1	9,760	1	-	-
1136	Financial assets at amortized cost (Note 8 & 29)	2,500	-	1,500	-	1,500	-
1150	Notes receivable (Note 9 & 21)	-	-	228	-	405	-
1170	Accounts receivable (Note 9 & 21)	185,024	16	189,117	16	196,243	15
1200	Other receivables (Note 9)	13,652	1	6,635	1	39,027	3
1220	Current tax assets	124	-	5,959	-	5,915	-
130X	Inventories (Note 10)	446,405	40	539,289	45	593,404	45
1479	Other current assets (Note 15)	39,358	4	43,864	4	50,463	4
11XX	Total current assets	877,096	78	926,042	78	1,038,871	79
	Non-current assets						
1600	Property, plant and equipment (Note 12 & 29)	114,300	10	120,304	10	115,092	9
1755	Right-of-use assets (Note 13)	34,953	3	48,917	4	58,720	4
1780	Other intangible assets (Note 14)	2,064	-	1,794	-	2,523	-
1840	Deferred tax assets	92,038	8	87,910	7	88,527	7
1990	Other non-current assets (Note 15)	8,032	1	8,691	1	8,985	1
15XX	Total non-current assets	251,387	22	267,616	22	273,847	21
1XXX	Total assets	\$ 1,128,483	100	\$ 1,193,658	100	\$ 1,312,718	100
	Liabilities and equity						
	Current liabilities						
2100	Short-term borrowings (Note 16 & 29)	\$ 150,000	13	\$ 130,000	11	\$ 120,000	9
2170	Accounts payable (Note 17 & 28)	36,800	3	59,225	5	109,853	9
2219	Other payables (Note 18)	87,420	8	92,562	8	160,845	12
2280	Lease liabilities – current (Note 13)	20,058	2	27,999	2	25,390	2
2320	Long-term borrowing with maturity under 1 year (Note 16)	-	-	-	-	815	-
2399	Other current liabilities (Note 18 & 21)	65,430	6	66,483	5	55,578	4
21XX	Total current liabilities	359,708	32	376,269	31	472,481	36
	Non-current liabilities						
2540	Long-term borrowings (Note 16)	-	-	-	-	1,475	-
2570	Deferred tax liabilities	3,931	-	6,775	1	6,830	-
2580	Lease liabilities – non-current (Note 13)	18,560	2	24,899	2	37,048	3
2640	Net defined benefit liability – non-current (Note 4)	6,079	-	6,081	1	8,365	1
2670	Other non-current liabilities (Note 18 & 21)	40,300	4	52,486	4	50,445	4
25XX	Total non-current liabilities	68,870	6	90,241	8	104,163	8
2XXX	Total liabilities	428,578	38	466,510	39	576,644	44
	Equity attributable to owners of parent company (Note 20)						
3110	Ordinary share capital	684,891	61	684,891	58	684,891	52
3210	Capital surplus	1,151	-	1,151	-	1,151	-
	Retained earnings						
3310	Legal reserve	37,124	3	73,869	6	73,869	6
3320	Special reserve	-	-	867	-	867	-
3350	Accumulated deficit	(23,180)	(2)	(37,612)	(3)	(28,135)	(2)
3300	Total retained earnings	13,944	1	37,124	3	46,601	4
3400	Other equity						
3410	Exchange differences on translation of foreign financial statements	1,384	-	6,426	-	5,985	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-	(2,180)	-
	Total other equity interest	(796)	-	4,246	-	3,805	-
31XX	Total equity interest attributable to owners of parent company	699,190	62	727,412	61	736,448	56
36XX	Non-controlling interest	715	-	(264)	-	(374)	-
3XXX	Total equity interest	699,905	62	727,148	61	736,074	56
	Total liabilities and equity	\$ 1,128,483	100	\$ 1,193,658	100	\$ 1,312,718	100

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2025 and 2024

In Thousands of New Taiwan Dollars
Except Losses per Share

Code		For the three months ended June 30, 2025		For the three months ended June 30, 2024		For the six months ended June 30, 2025		For the six months ended June 30, 2024	
		Amount	%	Amount	%	Amount	%	Amount	%
	Operating revenues (Note 21)								
4100	Sales revenue	\$ 338,948	95	\$ 268,721	95	\$ 592,224	94	\$ 542,504	95
4600	Service revenue	<u>18,268</u>	<u>5</u>	<u>15,568</u>	<u>5</u>	<u>35,641</u>	<u>6</u>	<u>28,916</u>	<u>5</u>
4000	Total operating revenue	<u>357,216</u>	<u>100</u>	<u>284,289</u>	<u>100</u>	<u>627,865</u>	<u>100</u>	<u>571,420</u>	<u>100</u>
	Operating costs								
5110	Cost of sales (Note 10, 22 & 28)	(217,630)	(61)	(178,180)	(63)	(373,622)	(60)	(349,547)	(61)
5600	Cost of services	(<u>385</u>)	<u>-</u>	(<u>555</u>)	<u>-</u>	(<u>744</u>)	<u>-</u>	(<u>723</u>)	<u>-</u>
5000	Total operating costs	(<u>218,015</u>)	(<u>61</u>)	(<u>178,735</u>)	(<u>63</u>)	(<u>374,366</u>)	(<u>60</u>)	(<u>350,270</u>)	(<u>61</u>)
5900	Operating profit margin	<u>139,201</u>	<u>39</u>	<u>105,554</u>	<u>37</u>	<u>253,499</u>	<u>40</u>	<u>221,150</u>	<u>39</u>
	Operating expenses (Note 22)								
6100	Selling expenses	(80,667)	(22)	(63,686)	(22)	(151,573)	(24)	(121,678)	(22)
6200	Administrative expenses	(16,538)	(5)	(18,365)	(7)	(33,522)	(5)	(35,100)	(6)
6300	Research and development expenses	(38,564)	(11)	(61,802)	(22)	(78,903)	(13)	(108,033)	(19)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 (Impairment loss) (Note 9)	(<u>2,504</u>)	(<u>1</u>)	(<u>766</u>)	<u>-</u>	(<u>2,255</u>)	<u>-</u>	(<u>1,258</u>)	<u>-</u>
6000	Total operating expenses	(<u>138,273</u>)	(<u>39</u>)	(<u>144,619</u>)	(<u>51</u>)	(<u>266,253</u>)	(<u>42</u>)	(<u>266,069</u>)	(<u>47</u>)
6900	Net operating profit (loss)	<u>928</u>	<u>-</u>	(<u>39,065</u>)	(<u>14</u>)	(<u>12,754</u>)	(<u>2</u>)	(<u>44,919</u>)	(<u>8</u>)
	Non-operating income and expenses (Note 22)								
7100	Interest income	521	-	473	-	702	-	570	-
7010	Other income (Note 25)	158	-	392	-	631	-	631	-
7020	Other gains and losses	(16,833)	(5)	4,147	2	(14,095)	(2)	10,534	2
7050	Financial costs	(<u>1,235</u>)	<u>-</u>	(<u>1,213</u>)	<u>-</u>	(<u>2,397</u>)	<u>-</u>	(<u>2,048</u>)	<u>-</u>
7000	Total non-operating income and expenses	(<u>17,389</u>)	(<u>5</u>)	<u>3,799</u>	<u>2</u>	(<u>15,159</u>)	(<u>2</u>)	<u>9,687</u>	<u>2</u>
7900	Loss before tax	(16,461)	(5)	(35,266)	(12)	(27,913)	(4)	(35,232)	(6)
7950	Income tax benefit (Note 4 & 23)	<u>3,281</u>	<u>1</u>	<u>7,073</u>	<u>2</u>	<u>5,712</u>	<u>1</u>	<u>7,043</u>	<u>1</u>
8200	Loss for the year	(<u>13,180</u>)	(<u>4</u>)	(<u>28,193</u>)	(<u>10</u>)	(<u>22,201</u>)	(<u>3</u>)	(<u>28,189</u>)	(<u>5</u>)
	Other comprehensive income (Note 20 & 23)								
8360	Items that may be reclassified to profit or loss:								
8361	Exchange differences in translation of financial statements of foreign operations	(7,146)	(2)	1,414	-	(6,302)	(1)	5,840	1
8399	Income tax related to items that will be reclassified to profit or loss	<u>1,429</u>	<u>1</u>	(<u>282</u>)	<u>-</u>	<u>1,260</u>	<u>-</u>	(<u>1,168</u>)	<u>-</u>
8300	Total other comprehensive income (after tax)	(<u>5,717</u>)	(<u>1</u>)	<u>1,132</u>	<u>-</u>	(<u>5,042</u>)	(<u>1</u>)	<u>4,672</u>	<u>1</u>
8500	Total comprehensive income	(<u>\$ 18,897</u>)	(<u>5</u>)	(<u>\$ 27,061</u>)	(<u>10</u>)	(<u>\$ 27,243</u>)	(<u>4</u>)	(<u>\$ 23,517</u>)	(<u>4</u>)
	Loss attributable to:								
8610	Owners of parent company	(\$ 13,594)	(4)	(\$ 28,256)	(10)	(\$ 23,180)	(3)	(\$ 28,135)	(5)
8620	Non-controlling interests	<u>414</u>	<u>-</u>	<u>63</u>	<u>-</u>	<u>979</u>	<u>-</u>	(<u>54</u>)	<u>-</u>
8600		(<u>\$ 13,180</u>)	(<u>4</u>)	(<u>\$ 28,193</u>)	(<u>10</u>)	(<u>\$ 22,201</u>)	(<u>3</u>)	(<u>\$ 28,189</u>)	(<u>5</u>)
	Comprehensive income attributable to:								
8710	Owners of parent company	(\$ 19,311)	(5)	(\$ 27,124)	(10)	(\$ 28,222)	(4)	(\$ 23,463)	(4)
8720	Non-controlling interests	<u>414</u>	<u>-</u>	<u>63</u>	<u>-</u>	<u>979</u>	<u>-</u>	(<u>54</u>)	<u>-</u>
8700		(<u>\$ 18,897</u>)	(<u>5</u>)	(<u>\$ 27,061</u>)	(<u>10</u>)	(<u>\$ 27,243</u>)	(<u>4</u>)	(<u>\$ 23,517</u>)	(<u>4</u>)
	Losses per share (Note 24)								
9710	Basic	(<u>\$ 0.20</u>)		(<u>\$ 0.41</u>)		(<u>\$ 0.34</u>)		(<u>\$ 0.41</u>)	

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2025 and 2024

In Thousands of New Taiwan Dollars

		Equities attributable to owners of parent company									
		Retained Earnings					Other Equity				
Code		Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
A1	Balance as of January 1, 2024	\$ 684,891	\$ 1,151	\$ 77,998	\$ 1,084	(\$ 4,346)	\$ 1,313	(\$ 2,180)	\$ 759,911	(\$ 320)	\$ 759,591
	Covering up losses of 2023 (Note 20)										
B13	Covering up losses by legal reserve	-	-	(4,129)	-	4,129	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	(217)	217	-	-	-	-	-
D1	Net loss for the six months ended June 30, 2024	-	-	-	-	(28,135)	-	-	(28,135)	(54)	(28,189)
D3	Other comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	4,672	-	4,672	-	4,672
D5	Total comprehensive income for the six months ended June 30, 2024	-	-	-	-	(28,135)	4,672	-	(23,463)	(54)	(23,517)
Z1	Balance as of June 30, 2024	<u>\$ 684,891</u>	<u>\$ 1,151</u>	<u>\$ 73,869</u>	<u>\$ 867</u>	(<u>\$ 28,135</u>)	<u>\$ 5,985</u>	(<u>\$ 2,180</u>)	<u>\$ 736,448</u>	(<u>\$ 374</u>)	<u>\$ 736,074</u>
A1	Balance as of January 1, 2025	\$ 684,891	\$ 1,151	\$ 73,869	\$ 867	(\$ 37,612)	\$ 6,426	(\$ 2,180)	\$ 727,412	(\$ 264)	\$ 727,148
	Covering up losses of 2024 (Note 20)										
B13	Covering up losses by legal reserve	-	-	(36,745)	-	36,745	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	(867)	867	-	-	-	-	-
D1	Net loss for the six months ended June 30, 2025	-	-	-	-	(23,180)	-	-	(23,180)	979	(22,201)
D3	Other comprehensive income for the six months ended June 30, 2025	-	-	-	-	-	(5,042)	-	(5,042)	-	(5,042)
D5	Total comprehensive income for the six months ended June 30, 2025	-	-	-	-	(23,180)	(5,042)	-	(28,222)	979	(27,243)
Z1	Balance as of June 30, 2025	<u>\$ 684,891</u>	<u>\$ 1,151</u>	<u>\$ 37,124</u>	<u>\$ -</u>	(<u>\$ 23,180</u>)	<u>\$ 1,384</u>	(<u>\$ 2,180</u>)	<u>\$ 699,190</u>	<u>\$ 715</u>	<u>\$ 699,905</u>

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

Chairman : Liao, Yi-Yan

Manager : Liao, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2025 and 2024

In Thousands of New Taiwan Dollars

Code		For the six months ended June 30, 2025	For the six months ended June 30, 2024
	Cash flows from operating activities		
A10000	Loss before tax	(\$ 27,913)	(\$ 35,232)
A20010	Adjustments for items of income and expense		
A20100	Depreciation expenses	23,123	21,137
A20200	Amortization expenses	1,087	1,806
A20300	Expected credit impairment loss	2,255	1,258
A20400	Losses on financial assets measured at fair value through profit or loss	219	-
A20900	Financial costs	2,397	2,048
A21200	Interest income	(702)	(570)
A23700	Inventory valuation and obsolescence losses	1,607	3,023
A24100	Unrealized foreign exchange losses (gains)	2,573	(3,480)
A30000	Changes in operating assets and liabilities		
A31130	Notes receivable	228	2,080
A31150	Accounts receivable	(8,274)	(13,452)
A31180	Other receivables	(7,180)	(8,930)
A31200	Inventories	87,726	(63,032)
A31240	Other current assets	4,287	(6,363)
A32150	Accounts payable	(20,514)	(14,458)
A32180	Other payables	(40)	65,646
A32230	Other current liabilities	61	3,217
A32240	Net defined benefit liabilities	(2)	(1)
A32990	Other non-current liabilities	(9,975)	(2,303)
A33000	Cash generated from operations	50,963	(47,606)
A33100	Interest received	701	570
A33500	Refund (payment) of income tax	5,835	(33)
AAAA	Net cash flows generated from (used in) operating activities	57,499	(47,069)
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	(1,000)	-
B02700	Acquisition of property, plant and equipment	(5,307)	(5,479)

(Continue)

(Previous)

<u>Code</u>		<u>For the six months ended June 30, 2025</u>	<u>For the six months ended June 30, 2024</u>
B04500	Acquisition of intangible assets	(952)	(288)
B06700	Increase in other non-current assets	(1,435)	(2,212)
BBBB	Net cash flows used in investing activities	(8,694)	(7,979)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	\$ 20,000	\$ 40,000
C01700	Repayment for long-term borrowings	-	(988)
C04020	Repayment of lease liabilities	(13,920)	(12,877)
C05600	Interest paid	(2,376)	(2,003)
CCCC	Net cash flows generated from financing activities	3,704	24,132
DDDD	Effect of exchange rate changes on cash	(1,707)	60
EEEE	Net increase (decrease) in cash	50,802	(30,856)
E00100	Cash at beginning of the period	129,690	182,770
E00200	Cash at end of the period	\$ 180,492	\$ 151,914

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

Chairman: Liao, Yi-Yan

Manager: Liao, Yi-Yan

Accounting: Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the six months ended June 30, 2025 and 2024
(In thousands of New Taiwan Dollar, Unless Stated Otherwise)

1. COMPANY HISTORY

- (1) CIPHERLAB CO., LTD. (hereinafter referred to as “the Company,” the Company and entities controlled by the Company, hereinafter referred to as the “consolidated company”) was established in October 1988 with the approval of the Ministry of Economic Affairs and officially started business operations in June 1989. The Company specializes in manufacturing and selling various computer-related products, such as peripheral equipment, electronic cash registers, barcode scanners, magnetic card readers, electronic measuring instruments, and software programs. They also provide trading and maintenance of the aforementioned maintenance parts, import and export trade, and acting as domestic and foreign manufacturers' agents for distribution. In addition, the Company is involved in importing and manufacturing telecommunications control radio frequency equipment.
- (2) The Company’s stocks have been listed on the OTC market through Taipei Exchange for trading since March 1, 2002.
- (3) The Company does not have an ultimate parent entity or ultimate financial controller due to the shareholding dispersion.
- (4) The consolidated financial statements are expressed in New Taiwan dollars, the company's functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issuance by the Board of Directors on August 6, 2025.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRS accounting standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The adoption of the amendments to IFRS accounting standards approved and issued by the FSC will not significantly affect the consolidated company’s accounting policies.

- (2) IFRS accounting standards applicable for the year 2026 and endorsed by the Financial Supervisory Commission

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
“Annual Improvements to IFRS Accounting Standards – Volume 11”	January 1, 2026
Amendments to IFRS 17 “Insurance Contract”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”	January 1, 2023

As of the date of authorisation for issue of these consolidated financial statements, the consolidated company is still assessing the impact of the amendments on its financial position and financial performance.

- (3) IFRS accounting standards issued by the IASB but not yet endorsed and issued into effect by the FSC

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB (Note)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosure”	January 1, 2027

Note: Unless stated otherwise, the above new, amended, or revised IFRSs are effective for annual periods beginning on or after their respective effective dates.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will replace IAS 1 “Presentation of Financial Statements.” The primary changes include:

- Items in the statement of profit or loss will need to be classified into categories: operating, investing, financing, income taxes and discontinued operations.
- Operating profit or loss, profit or loss before financing and income taxes, and subtotal and total of profit or loss shall be presented in the statements of profit or loss.
- Providing enhanced guidance on the principles of aggregation and disaggregation: the consolidated company shall identify assets, liabilities, equity, income, expenses, and cash flows from single transactions or other matters, and group and aggregate based on shared characteristics, to make each line item of the primary financial statements with at least one similar characteristic. Items with non-similar

characteristics shall be disaggregated in the primary financial statements and notes. Only if the consolidated company is unable to find a more informative label, the item may be labelled as “others.”

- New disclosure requirements for management-defined performance measures (MPMs): the consolidated company shall disclose the information related to management-defined performance measures in a single note in the financial statements, including descriptions to the measures, how to calculate, a reconciliation between the MPMs and the most similar specified subtotal in IFRS Accounting Standards, and the effects on income taxes and non-controlling interests arising from relevant reconciliation items. When making public communications outside the financial statements, and communicating the management’s aspect of the financial performance of the consolidated company as a whole.

Except for the aforementioned effects, as of the approval date of the consolidated financial statements, the consolidated company continues to evaluate other impact of the amendments to each standard and interpretation on the financial status and financial performance; the relevant impact will be disclosed upon completion of the assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of Compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC. The consolidated financial statements do not include all the information that shall be disclosed in accordance with IFRS accounting standards in the yearly financial statements.

(2) Basis of Preparation

The financial statements have been prepared based on the historical cost except for financial instruments measured at fair values and the defined benefit liability recognized by the present value of the defined benefit obligation minus the fair value of the plan assets.

The fair value measurements are classified into levels 1 to 3 based on the observation level and significance of the inputs:

- A. Level 1 inputs: the quoted price (unadjusted) in active markets for identical assets or liabilities at the date of measurement.
- B. Level 2 inputs: observable inputs of the direct (i.e. as prices) or indirect (i.e. derive from prices) for assets or liabilities other than quoted prices of Level 1.
- C. Level 3 inputs: unobservable inputs for the assets or liabilities.

(3) Basis of Consolidation

The consolidated financial statements include the financial statements of the consolidated company and the individual entities (the subsidiaries) controlled by the consolidated company. The financial statements of the subsidiaries have been adjusted so that its accounting policy is in accordance with the consolidated company. All intra-entity transactions, account balance, profit, and loss are eliminated in full when preparing the consolidated financial statements. The total consolidated comprehensive income of the subsidiaries is attributed to the owners of the consolidated company and non-controlling interests even if it causes the deficit balance.

For the detailed information about subsidiaries, including the percentage of ownership and main business, please refer to Note 11, Table 3 and Table 4 as attached.

(4) Other Significant Accounting Policies

Except as explained below, please refer to the summary of significant accounting policies in the consolidated financial statements for the year 2024.

A. Defined benefits post-employment benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

B. Income tax expenses

Income tax expense is the sum of current income tax and deferred income tax. The interim period income tax expense is assessed based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period.

5. CRITICAL ACCOUNTING JUDGMENT AND MAJOR SOURCE OF ESTIMATION UNCERTAINTY

For the major sources of significant accounting judgments, estimates, and assumptions used in these consolidated financial statements, please refer to the consolidated financial statements for the year 2024.

6. CASH

	June 30, 2025	December 31, 2024	June 30, 2024
Cash on hand & revolving fund	\$ 132	\$ 112	\$ 111
Checking accounts	17,210	33,977	20,585
Demand deposits	<u>163,150</u>	<u>95,601</u>	<u>131,218</u>
	<u>\$ 180,492</u>	<u>\$ 129,690</u>	<u>\$ 151,914</u>

Cash equivalent market interest rates for the above interest-bearing financial assets at the date of the balance sheet are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Bank deposit	0.005%~0.95%	0.005%~1.00%	0.05%~1.45%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2025	December 31, 2024	June 30, 2024
<u>Financial assets – current</u>			
Mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Beneficiary certificates of funds	\$ 9,541	\$ 9,760	\$ -

8. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2025	December 31, 2024	June 30, 2024
Time deposits with original maturity of more than 3 months	\$ 2,500	\$ 1,500	\$ 1,500

The market interest rates for the above time deposits at the date of the balance sheet are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Time deposits with original maturity of more than 3 months	1.685%	1.685%	1.685%

Please refer to Note 29 for the information on financial assets at amortized cost pledged as collateral.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES, AND OTHER RECEIVABLES

	June 30, 2025	December 31, 2024	June 30, 2024
<u>Notes receivable</u>			
Measurement at amortized costs			
Total carrying amount	\$ -	\$ 228	\$ 405
Less: loss allowance	-	-	-
	\$ -	\$ 228	\$ 405
Arising from operations	\$ -	\$ 228	\$ 405
<u>Accounts receivable</u>			
Measurement at amortized costs			
Total carrying amount	\$ 188,257	\$ 190,163	\$ 197,601
Less: loss allowance	(3,233)	(1,046)	(1,358)
	\$ 185,024	\$ 189,117	\$ 196,243

	June 30, 2025	December 31, 2024	June 30, 2024
<u>Other receivables</u>			
Receivables for outward processing	\$ 8,002	\$ 9	\$ 29,314
Tax refund receivable	5,641	6,496	9,562
Others	<u>9</u>	<u>130</u>	<u>151</u>
	<u>\$ 13,652</u>	<u>\$ 6,635</u>	<u>\$ 39,027</u>

(1) Notes receivable

The consolidated company recognizes the loss allowance for notes receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation. As of June 30, 2025, December 31, 2024, and June 30, 2024, there were no overdue notes receivable. According to the assessment by the consolidated company, it is not necessary to set aside expected credit losses for notes receivables.

(2) Accounts receivable

The revenue arising from sales of goods is collected monthly with average credit period of 15~120 days. In order to minimize credit risk, the management of the consolidated company has appointed a team responsible for the determination of credit limit, credit approval and other monitoring procedures to ensure that proper action is taken for recovery of overdue debts. In addition, the consolidated company reviews the recoverable amount of the overdue notes and accounts receivable on the balance sheet date to ensure that adequate allowances are made for the irrecoverable amounts. In this regard, the management believes that the credit risk of the consolidated company has been significantly reduced.

The consolidated company recognizes the loss allowance for accounts receivable based on lifetime expected credit losses. The lifetime expected credit losses are measured by the customers' past default records and the current financial situation using a provision matrix and considering the GDP forecast. According to the consolidated company's past experience of credit losses, there is no significant difference in the loss patterns for different customer entities. Thus, the expected credit loss rate is determined solely by the number of overdue days for the receivables.

If there is evidence indicating that a counterparty is facing serious financial difficulties and the consolidated company cannot reasonably estimate the recoverable amount, the consolidated company will write off the related notes and accounts receivable, but continue with recourse. The amount recovered due to recourse is recognized in profit or loss.

The consolidated company's loss allowance for accounts receivables is estimated using a provision matrix as follows:

June 30, 2025

		1-30 days	31-60 days	61-90 days	91-120 days	120 days	
	Not past due	overdue	overdue	overdue	overdue	overdue	Total
Expected credit loss rate	0%~6.35%	0.05%~1.29%	1.40%~11.65%	5.78%~100%	100%	100%	
Total carrying amount	\$ 160,054	\$ 19,869	\$ 2,479	\$ 5,220	\$ 27	\$ 608	\$ 188,257
Loss allowance (Lifetime ECL)	(1,792)	(171)	(216)	(419)	(27)	(608)	(3,233)
Amortized cost	<u>\$ 158,262</u>	<u>\$ 19,698</u>	<u>\$ 2,263</u>	<u>\$ 4,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,024</u>

December 31, 2024

		1-30 days	31-60 days	61-90 days	91-120 days	120 days	
	Not past due	overdue	overdue	overdue	overdue	overdue	Total
Expected credit loss rate	0%~6.35%	0.05%~12.61%	1.40%~11.65%	5.78%~100%	100%	100%	
Total carrying amount	\$ 156,407	\$ 30,252	\$ 1,922	\$ 1,301	\$ 94	\$ 187	\$ 190,163
Loss allowance (Lifetime ECL)	(509)	(108)	(41)	(107)	(94)	(187)	(1,046)
Amortized cost	<u>\$ 155,898</u>	<u>\$ 30,144</u>	<u>\$ 1,881</u>	<u>\$ 1,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,117</u>

June 30, 2024

		1-30 days	31-60 days	61-90 days	91-120 days	120 days	
	Not past due	overdue	overdue	overdue	overdue	overdue	Total
Expected credit loss rate	0%~6.33%	0%~0.88%	0.04%~7.86%	6.78%~100%	100%	100%	
Total carrying amount	\$ 164,298	\$ 22,836	\$ 2,681	\$ 7,514	\$ 29	\$ 243	\$ 197,601
Loss allowance (Lifetime ECL)	(462)	(26)	(75)	(523)	(29)	(243)	(1,358)
Amortized cost	<u>\$ 163,836</u>	<u>\$ 22,810</u>	<u>\$ 2,606</u>	<u>\$ 6,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,243</u>

Changes in loss allowance for accounts receivable are as follows:

	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Beginning balance	\$ 1,046	\$ 206
Add: impairment losses recognized in current period	2,255	1,258
Less: actual write-offs in current period	-	(120)
Exchange difference in foreign currencies	(68)	14
Ending balance	<u>\$ 3,233</u>	<u>\$ 1,358</u>

(3) Other receivables

Other receivables of the consolidated company include primarily receivables for outward processing, tax refund receivable, and others, etc. The policy adopted by the consolidated company is only entering into transactions with counterparties with good credit. The consolidated company continues to track and refer to the default records of counterparties and analyze the current financial condition, to assess whether there is significant increase in credit risk since initial recognition and measure the expected credit loss. As of June 30, 2025, December 31, 2024, and June 30, 2024, the consolidated company assessed that the expected credit losses of other receivables were all 0%.

10. INVENTORY

	June 30, 2025	December 31, 2024	June 30, 2024
Finished goods	\$ 13,160	\$ 16,217	\$ 31,850
Work in process	16,147	15,876	20,656
Raw materials	386,182	464,703	505,153
Merchandise	30,916	42,493	35,745
	<u>\$ 446,405</u>	<u>\$ 539,289</u>	<u>\$ 593,404</u>

The nature of cost of goods sold is as follows:

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Cost of inventories sold	\$ 217,630	\$ 178,180	\$ 372,015	\$ 346,524
Inventory valuation and obsolescence losses	-	-	1,607	3,023
	<u>\$ 217,630</u>	<u>\$ 178,180</u>	<u>\$ 373,622</u>	<u>\$ 349,547</u>

11. SUBSIDIARIES

(1) Subsidiaries included in the consolidated financial statements

The consolidated entities of the consolidated financial report were as follows:

Investor company	Subsidiaries	Main business	Percentage of ownership			Note
			June 30, 2025	December 31, 2024	June 30, 2024	
The Company	CIPHERLAB USA, INC.	Electronics sales	100	100	100	The main business risk is foreign currency risk
"	CIPHERLAB LIMITED (SAMOA)	Investment holding	100	100	100	The main business risk is foreign currency risk
"	MPLUS TECHNOLOGY CO., LTD. (MPLUS TECHNOLOGY)	Development and sales of electronic products	95	95	95	The main business risk is foreign currency risk
CIPHERLAB LIMITED (SAMOA)	CipherLab Electron Trade (Shanghai) Limited Company (CipherLab (Shanghai))	Electronics sales	100	100	100	The main business risks are political risks and foreign currency risks due to government orders and cross-strait relations

- A. CIPHERLAB LIMITED (SAMOA) was established on May 29, 2006 by the relevant laws and regulations of Samoa.
- B. CipherLab (Shanghai) was approved and established in Shanghai on November 15, 2006, with an effective operation term from November 15, 2006, to November 14, 2036. CipherLab (Shanghai) carried out a cash capital reduction of US\$350 thousand in January 2025 and has completed the registration of the capital change.
- C. CIPHERLAB USA, INC. was approved and established in the USA on January 11, 2007.
- D. MPLUS TECHNOLOGY was approved and established in ROC on May 19, 2016.

(2) Subsidiaries included in the consolidated financial statements: None.

12. PROPERTY, PLANT, AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Molding equipment	Transportation	Income-gene rating equipment	Other equipment	Total
<u>Cost</u>								
Balance as of January 1, 2025	\$ 57,996	\$ 55,493	\$ 14,827	\$ 257,854	\$ 1,409	\$ 86,573	\$ 235	\$ 474,387
Addition	-	-	-	1,350	-	174	-	1,524
Disposal	-	-	(210)	(533)	-	(2,229)	-	(2,972)
Reclassification (Note)	-	-	-	1,643	-	-	-	1,643
Net exchange difference	-	-	-	-	(150)	(137)	(24)	(311)
Balance as of June 30, 2025	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 14,617</u>	<u>\$ 260,314</u>	<u>\$ 1,259</u>	<u>\$ 84,381</u>	<u>\$ 211</u>	<u>\$ 474,271</u>
<u>Accumulated depreciation</u>								
Balance as of January 1, 2025	\$ -	\$ 26,435	\$ 14,332	\$ 234,495	\$ 1,409	\$ 77,211	\$ 201	\$ 354,083
Depreciation expense	-	497	54	6,281	-	2,314	4	9,150
Disposal	-	-	(210)	(533)	-	(2,229)	-	(2,972)
Net exchange difference	-	-	-	-	(150)	(119)	(21)	(290)
Balance as of June 30, 2025	<u>\$ -</u>	<u>\$ 26,932</u>	<u>\$ 14,176</u>	<u>\$ 240,243</u>	<u>\$ 1,259</u>	<u>\$ 77,177</u>	<u>\$ 184</u>	<u>\$ 359,971</u>
Net balance as of December 31, 2024 and January 1, 2025	<u>\$ 57,996</u>	<u>\$ 29,058</u>	<u>\$ 495</u>	<u>\$ 23,359</u>	<u>\$ -</u>	<u>\$ 9,362</u>	<u>\$ 34</u>	<u>\$ 120,304</u>
Net balance as of June 30, 2025	<u>\$ 57,996</u>	<u>\$ 28,561</u>	<u>\$ 441</u>	<u>\$ 20,071</u>	<u>\$ -</u>	<u>\$ 7,204</u>	<u>\$ 27</u>	<u>\$ 114,300</u>
<u>Cost</u>								
Balance as of January 1, 2024	\$ 57,996	\$ 55,493	\$ 15,852	\$ 243,798	\$ 1,320	\$ 105,310	\$ 223	\$ 479,992
Addition	-	-	-	1,049	-	1,136	-	2,185
Disposal	-	-	(125)	-	-	(230)	-	(355)
Reclassification (Note)	-	-	-	892	-	-	-	892
Net exchange difference	-	-	-	-	75	81	12	168
Balance as of June 30, 2024	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 15,727</u>	<u>\$ 245,739</u>	<u>\$ 1,395</u>	<u>\$ 106,297</u>	<u>\$ 235</u>	<u>\$ 482,882</u>
<u>Accumulated depreciation</u>								
Balance as of January 1, 2024	\$ -	\$ 25,444	\$ 15,246	\$ 224,549	\$ 1,320	\$ 93,260	\$ 184	\$ 360,003
Depreciation expense	-	496	55	4,717	-	2,713	4	7,985
Disposal	-	-	(125)	-	-	(230)	-	(355)
Net exchange difference	-	-	-	-	75	72	10	157
Balance as of June 30, 2024	<u>\$ -</u>	<u>\$ 25,940</u>	<u>\$ 15,176</u>	<u>\$ 229,266</u>	<u>\$ 1,395</u>	<u>\$ 95,815</u>	<u>\$ 198</u>	<u>\$ 367,790</u>
Net balance as of June 30, 2024	<u>\$ 57,996</u>	<u>\$ 29,553</u>	<u>\$ 551</u>	<u>\$ 16,473</u>	<u>\$ -</u>	<u>\$ 10,482</u>	<u>\$ 37</u>	<u>\$ 115,092</u>

Note: Reclassified from other non-current assets – prepayments for equipment, to property, plant, and equipment.

Depreciation expenses are calculated on a straight-line basis over the estimated useful lives as follows:

Buildings	55 years
Machinery and equipment	2 to 10 years
Molding equipment	2 to 5 years
Transportation	5 years
Income-generating equipment	2 to 6 years
Other equipment	3 to 5 years

Please refer to Note 29 for the property, plant and equipment pledged as collaterals for borrowings.

13. LEASE ARRANGEMENT

(1) Right-of-use assets

	<u>Buildings</u>	<u>Transportation</u>	<u>Total</u>
<u>Cost</u>			
Balance as of January 1, 2025	\$ 78,655	\$ 4,025	\$ 82,680
Addition	1,810	-	1,810
Reduction	(2,408)	-	(2,408)
Net exchange difference	(3,421)	-	(3,421)
Balance as of June 30, 2025	<u>\$ 74,636</u>	<u>\$ 4,025</u>	<u>\$ 78,661</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2025	\$ 33,046	\$ 717	\$ 33,763
Depreciation expense	13,326	647	13,973
Reduction	(2,408)	-	(2,408)
Net exchange difference	(1,620)	-	(1,620)
Balance as of June 30, 2025	<u>\$ 42,344</u>	<u>\$ 1,364</u>	<u>\$ 43,708</u>
Net balance as of June 30, 2025	<u>\$ 32,292</u>	<u>\$ 2,661</u>	<u>\$ 34,953</u>
<u>Cost</u>			
Balance as of January 1, 2024	\$ 73,407	\$ 3,334	\$ 76,741
Addition	43,584	-	43,584
Reduction	(40,389)	-	(40,389)
Net exchange difference	1,717	-	1,717
Balance as of June 30, 2024	<u>\$ 78,319</u>	<u>\$ 3,334</u>	<u>\$ 81,653</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2024	\$ 47,217	\$ 2,310	\$ 49,527
Depreciation expense	12,502	650	13,152
Reduction	(40,389)	-	(40,389)
Net exchange difference	643	-	643
Balance as of June 30, 2024	<u>\$ 19,973</u>	<u>\$ 2,960</u>	<u>\$ 22,933</u>
Net balance as of June 30, 2024	<u>\$ 58,346</u>	<u>\$ 374</u>	<u>\$ 58,720</u>

Except for the additions above and depreciation expenses recognized, there is no significant sub-lease and impairment in right-of-use assets of the consolidated company for the six months ended June 30, 2025 and 2024.

(2) Lease liabilities

	June 30, 2025	December 31, 2024	June 30, 2024
Carrying amount of lease liabilities			
Current	<u>\$ 20,058</u>	<u>\$ 27,999</u>	<u>\$ 25,390</u>
Non-current	<u>\$ 18,560</u>	<u>\$ 24,899</u>	<u>\$ 37,048</u>

The range of the discount rates for lease liabilities is as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Buildings	1.375%~5.5%	1.375%~5.5%	1.111%~5.5%
Transportation	1.167%~1.853%	1.167%~1.853%	1.111%~1.167%

(3) Significant lease activities and terms

The consolidated company leases certain buildings and transportation equipment with lease terms of 1 to 12 years for operating use. The consolidated company does not have bargain purchase options to acquire the leasehold buildings and vehicles at the end of the lease terms.

(4) Other lease information

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Expenses related to low-value asset leases	(\$ 23)	(\$ 51)	(\$ 75)	(\$ 102)
Expenses related to short-term leases	(\$ 44)	(\$ 4)	(\$ 64)	(\$ 69)
Total cash outflow for leases			(\$ 14,892)	(\$ 13,906)

All the lease commitments with lease period starting after the balance sheet date are as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Lease commitment	<u>\$ 792</u>	<u>\$ -</u>	<u>\$ 723</u>

14. INTANGIBLE ASSETS

	June 30, 2025	December 31, 2024	June 30, 2024
Computer software	<u>\$ 2,064</u>	<u>\$ 1,794</u>	<u>\$ 2,523</u>

	For the six months ended June 30, 2025	For the six months ended June 30, 2024
<u>Cost</u>		
Beginning balance	\$ 13,114	\$ 22,397
Separate acquisition	952	288
Disposal	(746)	-
Reclassification (Note)	405	-
Net exchange difference	(9)	4
Ending balance	<u>\$ 13,716</u>	<u>\$ 22,689</u>
<u>Accumulated amortization and impairments</u>		
Beginning balance	\$ 11,320	\$ 18,356
Amortization expenses	1,087	1,806
Disposal	(746)	-
Net exchange difference	(9)	4
Ending balance	<u>\$ 11,652</u>	<u>\$ 20,166</u>
Net ending balance	<u>\$ 2,064</u>	<u>\$ 2,523</u>

Note: Reclassification from other non-current assets – prepayments for equipment to intangible assets.

Amortization expenses of computer software are calculated on a straight-line basis over the estimated useful lives of 1~6 years.

15. OTHER ASSETS

	June 30, 2025	December 31, 2024	June 30, 2024
Prepayments	\$ 39,358	\$ 43,864	\$ 50,463
Guarantee deposits paid	7,093	6,449	6,509
Prepayment for equipment	939	2,242	2,476
	<u>\$ 47,390</u>	<u>\$ 52,555</u>	<u>\$ 59,448</u>
Current	\$ 39,358	\$ 43,864	\$ 50,463
Non-current	8,032	8,691	8,985
	<u>\$ 47,390</u>	<u>\$ 52,555</u>	<u>\$ 59,448</u>

16. BORROWINGS

(1) Short-term borrowings

	June 30, 2025	December 31, 2024	June 30, 2024
<u>Unsecured loans</u>			
Line of credit	<u>\$ 100,000</u>	<u>\$ 130,000</u>	<u>\$ 120,000</u>
<u>Secured loans</u>			
Mortgage	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2025, December 31, 2024, and June 30, 2024, the interest rate intervals for short-term loans are 1.88% ~ 1.96%, 1.96% ~ 2.00%, 1.91% ~ 2.11%, respectively.

(2) Long-term borrowings

	June 30, 2025	December 31, 2024	June 30, 2024
<u>Unsecured loans</u>			
Bank loan	\$ -	\$ -	\$ 2,290
Less: set aside as part due within 1 year	-	-	(815)
Long-term borrowings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,475</u>

The consolidated company entered into a loan agreement with Taiwan Cooperative Bank in accordance with the “Operational Guidelines for Relief and Stimulus Loans and Interest Subsidies for Businesses Experiencing Operational Difficulties Due to the Impact of Severe Pneumonia with Novel Pathogens” issued by the Ministry of Economic Affairs. The total loan facility amounted to NT\$4,000 thousand, with interest calculated on a floating basis at the Central Bank’s guaranteed loan rate plus 0.9%. The company also applied for an interest subsidy, with the subsidized rate based on Chunghwa Post Co., Ltd.’s two-year time deposit floating rate, for a maximum subsidy period of one year and a maximum subsidy amount of NT\$220 thousand. The loan was drawn down in installments, with all maturities falling on March 8, 2027. The repayment terms require monthly interest payments up to April 8, 2023, and thereafter, monthly installments of principal and interest on an equal basis. The consolidated company fully repaid the loan in advance in September 2024.

17. ACCOUNTS PAYABLE

	June 30, 2025	December 31, 2024	June 30, 2024
<u>Accounts payable</u>			
Arising from operations	<u>\$ 36,800</u>	<u>\$ 59,225</u>	<u>\$ 109,853</u>

18. OTHER LIABILITIES

	June 30, 2025	December 31, 2024	June 30, 2024
<u>Current</u>			
Other payables			
Processing expense payable	\$ 38,202	\$ 29,264	\$ 84,637
Salaries and bonus payable	20,894	21,454	23,628
Payables on R&D projects	2,281	2,573	16,584
Payables on equipment	663	4,446	1,110
Payables on testing	655	4,063	13,910
Others	<u>24,725</u>	<u>30,762</u>	<u>20,976</u>
	<u>\$ 87,420</u>	<u>\$ 92,562</u>	<u>\$ 160,845</u>

(Continue)

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	June 30, 2025	December 31, 2024	June 30, 2024
Other liabilities			
Contractual liabilities (Note 21)	\$ 62,023	\$ 63,271	\$ 53,030
Others	<u>3,407</u>	<u>3,212</u>	<u>2,548</u>
	<u>\$ 65,430</u>	<u>\$ 66,483</u>	<u>\$ 55,578</u>
<u>Non-current</u>			
Other liabilities			
Contractual liabilities (Note 21)	\$ 40,300	\$ 46,028	\$ 43,987
Guarantee deposits received	<u>-</u>	<u>6,458</u>	<u>6,458</u>
	<u>\$ 40,300</u>	<u>\$ 52,486</u>	<u>\$ 50,445</u>

19. POST-EMPLOYMENT BENEFIT PLAN

The pension expenses related to the defined benefit plans recognized for the three months and six months ended June 30, 2025 and 2024 are calculated by the pension cost rate determined by actuary on December 31, 2024 and 2023, and the amounts are NT\$147 thousand, NT\$135 thousand, NT\$297 thousand, and NT\$275 thousand, respectively.

20. EQUITY

(1) Ordinary share capital

	June 30, 2025	December 31, 2024	June 30, 2024
Authorized shares (in thousands of shares)	<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
Authorized capital	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 900,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>68,489</u>	<u>68,489</u>	<u>68,489</u>
Capital issued	<u>\$ 684,891</u>	<u>\$ 684,891</u>	<u>\$ 684,891</u>

The par value of each ordinary share issued is NT\$10, and each share possesses one voting right and a right to receive dividends.

(2) Capital surplus

	June 30, 2025	December 31, 2024	June 30, 2024
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (A)</u>			
Additional paid-in capital	\$ 1,062	\$ 1,062	\$ 1,062
<u>May only be used to offset a deficit</u>			
Unclaimed dividends (B)	<u>89</u>	<u>89</u>	<u>89</u>
	<u>\$ 1,151</u>	<u>\$ 1,151</u>	<u>\$ 1,151</u>

- A. Such capital surplus may be used to offset a deficit. In the case when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital limited to a certain percentage of the Company's capital surplus once a year.
- B. According to the letter No. 10602420200 issued by the Ministry of Economic Affairs on September 21, 2017, unclaimed dividends should be recognized as capital reserves.

(3) Retained earnings and dividends policy

Suppose the consolidated company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting accumulated losses of previous years, and setting aside as legal reserve 10% of the remaining profit by the laws and regulations except when the legal reserve has reached the company's paid-in capital. The rest shall be setting aside or reversing a special reserve; any remaining profit together with any undistributed retained earnings shall be used by the consolidated company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholder's meeting for distribution of dividends and bonus to shareholders. For the policies on the distribution of employees' compensation and directors' remuneration, refer to Note 22-7.

The Company's dividend policy evaluates the Company's future capital requirement, long-term financial planning, and shareholders' profit expectations. The actual distribution of share dividends should be accounted for not less than 50% of the distributable earnings of the current year. The company is in the steady growth stage with consistent profit increases and a solid financial structure. While maintaining a stable profit per share, the cash dividends shall account for at least 10% of the total dividends.

The legal reserve can be used to offset losses. When the company has no losses, the portion of the statutory surplus reserve exceeding 25% of the total paid-in capital may be allocated as share capital and can also be distributed as cash.

The Company may set aside special reserve by the accumulated deductions to other equity, only to the extent to the unappropriated earnings in prior period.

The deficit appropriation plan for the fiscal year 2024 was approved at the Annual General Meeting of Shareholders held on June 24, 2025. The accumulated deficit was offset by a transfer of statutory surplus reserve amounting to NT\$36,745 thousand, and a reversal of special surplus reserve of NT\$867 thousand. Similarly, the deficit appropriation plan for the fiscal year 2023 was approved at the Annual General Meeting of Shareholders held on June 26, 2024. The accumulated deficit was offset by a transfer of statutory surplus reserve amounting to NT\$4,129 thousand, and a reversal of special surplus reserve of NT\$217 thousand.

(4) Special reserve

	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Beginning balance	\$ 867	\$ 1,084
Reversal of special reserve		
Reversal of deductions to other equity	(867)	(217)
Ending balance	<u>\$ -</u>	<u>\$ 867</u>

(5) Other equity

A. Exchange differences on translation of foreign financial statements

	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Beginning balance	\$ 6,426	\$ 1,313
Origination in the current period		
Exchange differences arising from translation of a foreign operation	(6,302)	5,840
Income tax related to exchange differences arising from translation of a foreign operation	<u>1,260</u>	(<u>1,168</u>)
Ending balance	<u>\$ 1,384</u>	<u>\$ 5,985</u>

B. Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income

	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Beginning balance and ending balance	(<u>\$ 2,180</u>)	(<u>\$ 2,180</u>)

21. REVENUE

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Revenue from contracts with customers				
Sales revenue	\$ 338,948	\$ 268,721	\$ 592,224	\$ 542,504
Service revenue	<u>18,268</u>	<u>15,568</u>	<u>35,641</u>	<u>28,916</u>
	<u>\$ 357,216</u>	<u>\$ 284,289</u>	<u>\$ 627,865</u>	<u>\$ 571,420</u>

(1) Contract balances

	June 30, 2025	December 31, 2024	June 30, 2024	January 1, 2024
Notes and accounts receivables (Note 9)	<u>\$ 185,024</u>	<u>\$ 189,345</u>	<u>\$ 196,648</u>	<u>\$ 178,583</u>
Contract liabilities – current (Note 18)				
Sale of goods	\$ 21,252	\$ 20,739	\$ 15,296	\$ 14,034
Warranty service	<u>40,771</u>	<u>42,532</u>	<u>37,734</u>	<u>33,803</u>
	62,023	63,271	53,030	47,837
Contract liabilities – non-current (Note 18)				
Warranty service	<u>40,300</u>	<u>46,028</u>	<u>43,987</u>	<u>45,467</u>
	<u>\$ 102,323</u>	<u>\$ 109,299</u>	<u>\$ 97,017</u>	<u>\$ 93,304</u>

The changes in the balance of contract liabilities primarily resulted from the timing difference between the satisfaction of performance obligations and the respective customer's payment.

(2) Disaggregation of revenue from contracts with customers

Please refer to Note 33 for information regarding disaggregation of revenue.

22. NET LOSS

(1) Interest income

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Bank deposits	\$ 501	\$ 448	\$ 653	\$ 522
Others	<u>20</u>	<u>25</u>	<u>49</u>	<u>48</u>
	<u>\$ 521</u>	<u>\$ 473</u>	<u>\$ 702</u>	<u>\$ 570</u>

(2) Other income

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Government Grants				
(Note 25)	\$ 48	\$ 324	\$ 386	\$ 324
Others	<u>110</u>	<u>68</u>	<u>245</u>	<u>307</u>
	<u>\$ 158</u>	<u>\$ 392</u>	<u>\$ 631</u>	<u>\$ 631</u>

(3) Other gains and losses

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Net foreign exchange (loss) gain	(\$ 16,364)	\$ 4,179	(\$ 13,856)	\$ 10,566
Loss on financial assets measured at fair value through profit or loss	(469)	-	(219)	-
Others	<u>-</u>	<u>(32)</u>	<u>(20)</u>	<u>(32)</u>
	<u>(\$ 16,833)</u>	<u>\$ 4,147</u>	<u>(\$ 14,095)</u>	<u>\$ 10,534</u>

(4) Financial costs

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Interest on bank loans	\$ 839	\$ 694	\$ 1,564	\$ 1,190
Interest on lease liabilities	<u>396</u>	<u>519</u>	<u>833</u>	<u>858</u>
	<u>\$ 1,235</u>	<u>\$ 1,213</u>	<u>\$ 2,397</u>	<u>\$ 2,048</u>

(5) Depreciation and amortization

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Property, plant, and equipment	\$ 4,661	\$ 3,902	\$ 9,150	\$ 7,985
Right-of-use assets	7,167	6,785	13,973	13,152
Intangible assets	<u>586</u>	<u>924</u>	<u>1,087</u>	<u>1,806</u>
Total	<u>\$ 12,414</u>	<u>\$ 11,611</u>	<u>\$ 24,210</u>	<u>\$ 22,943</u>
Depreciation expenses by function				
Operating costs	\$ 4,218	\$ 3,252	\$ 8,170	\$ 6,602
Operating expenses	<u>7,610</u>	<u>7,435</u>	<u>14,953</u>	<u>14,535</u>
	<u>\$ 11,828</u>	<u>\$ 10,687</u>	<u>\$ 23,123</u>	<u>\$ 21,137</u>
Amortization expenses by function				
Operating costs	\$ 99	\$ 82	\$ 184	\$ 164
Operating expenses	<u>487</u>	<u>842</u>	<u>903</u>	<u>1,642</u>
	<u>\$ 586</u>	<u>\$ 924</u>	<u>\$ 1,087</u>	<u>\$ 1,806</u>

(6) Employee benefit expenses

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Post-employment benefits				
Defined contribution plan	\$ 2,961	\$ 2,974	\$ 5,956	\$ 5,997
Defined benefit plan (Note 19)	<u>147</u>	<u>135</u>	<u>297</u>	<u>275</u>
	3,108	3,109	6,253	6,272
Other employee benefit	<u>74,116</u>	<u>68,950</u>	<u>148,609</u>	<u>138,535</u>
Total employee benefit	<u>\$ 77,224</u>	<u>\$ 72,059</u>	<u>\$ 154,862</u>	<u>\$ 144,807</u>
Summarized by function				
Operating costs	\$ 12,775	\$ 12,286	\$ 25,724	\$ 25,199
Operating expenses	<u>64,449</u>	<u>59,773</u>	<u>129,138</u>	<u>119,608</u>
	<u>\$ 77,224</u>	<u>\$ 72,059</u>	<u>\$ 154,862</u>	<u>\$ 144,807</u>

(7) Employees' compensation and directors' remuneration

The Company's Articles of Incorporation stipulate that employees' remuneration and directors' remuneration shall be appropriated at rates ranging from 0.5% to 10% and up to 3%, respectively, based on the pre-tax net profit before deducting such remunerations for the year. Pursuant to the amendment of the Securities and Exchange Act in August 2024, the Company's Articles of Incorporation were further amended and approved at the 2025 Annual General Meeting of Shareholders to specify that no less than 30% of the employees' remuneration appropriated for the year shall be allocated to base-level employees.

The Company incurred a pre-tax net loss for the periods from January 1 to June 30 in 2025 and 2024, and therefore, no employees' remuneration or directors' remuneration was accrued.

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate in the next year.

As the Company incurred net loss before tax, in 2024 and 2023, employees' compensation and directors' remuneration were not accrued. There is no significant difference between the actual amounts of compensation of employees and remuneration of directors paid in 2024 and 2023 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2024 and 2023.

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

(8) Gains or losses on foreign currency exchange

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Total gains on foreign currency exchange	\$ 5,227	\$ 6,123	\$ 9,416	\$ 15,879
Total losses on foreign currency exchange	(21,591)	(1,944)	(23,272)	(5,313)
Net Gains (losses)	(\$ 16,364)	(\$ 4,179)	(\$ 13,856)	(\$ 10,566)

23. INCOME TAX

(1) Income tax expense recognized in profit or loss

The main components of the income tax benefit are as follows:

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Deferred income tax In respect of current year	(3,281)	(7,073)	(5,712)	(7,043)
Income tax benefit recognized in profit or loss	(\$ 3,281)	(\$ 7,073)	(\$ 5,712)	(\$ 7,043)

(2) Income tax recognized in other comprehensive income

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
<u>Deferred tax</u>				
In respect of the current year				
— Translation of foreign financial statements	(\$ 1,429)	\$ 282	(\$ 1,260)	\$ 1,168

(3) Income tax assessments

The tax authorities have assessed the income tax returns of the Company and its subsidiary, MPLUS TECHNOLOGY, through 2023.

24. LOSSES PER SHARE

The net loss and weighted average number of ordinary shares used to calculate loss per share are as follows:

Net loss for the year

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Net loss used in the calculation of basic loss per share	(\$ 13,594)	(\$ 28,256)	(\$ 23,180)	(\$ 28,135)

Number of shares

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Weighted average number of ordinary shares used in the calculation of basic loss per share	68,489	68,489	68,489	68,489

Units: Thousands of Shares

25. GOVERNMENT GRANTS

The consolidated company received various government subsidies amounting to NT\$386 thousand and NT\$324 thousand for the periods from January 1 to June 30 in 2025 and 2024, respectively, which were recognized under other income.

26. CASH FLOW INFORMATION

(1) Non-cash transaction

The consolidated company entered the following non-cash transaction investing activities for the six months ended June 30, 2025 and 2024 as follows:

	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Partial cash payment for real property, plant and equipment		
Purchase of property and equipment, including molds and machinery	\$ 1,524	\$ 2,185
Changes in payables on purchases of equipment (Net)	3,783	3,294
Cash paid	<u>\$ 5,307</u>	<u>\$ 5,479</u>

(2) Changes in liabilities arising from financing activities

For the six months ended June 30, 2025

	January 1, 2025	Cash flows	Non-cash changes			June 30, 2025
			Additions	Reductions	Exchange effect	
Short-term loans	\$ 130,000	\$ 20,000	\$ -	\$ -	\$ -	\$ 150,000
Lease liabilities	52,898	(13,920)	1,810	-	(2,170)	38,618
	<u>\$ 182,898</u>	<u>\$ 6,080</u>	<u>\$ 1,810</u>	<u>\$ -</u>	<u>(\$ 2,170)</u>	<u>\$ 188,618</u>

For the six months ended June 30, 2024

	January 1, 2024	Cash flows	Non-cash changes			June 30, 2024
			Additions	Reductions	Exchange effect	
Short-term loans	\$ 80,000	\$ 40,000	\$ -	\$ -	\$ -	\$ 120,000
Long-term loans	3,278	(988)	-	-	-	2,290
Lease liabilities	30,441	(12,877)	43,584	-	1,290	62,438
	<u>\$ 113,719</u>	<u>\$ 26,135</u>	<u>\$ 43,584</u>	<u>\$ -</u>	<u>\$ 1,290</u>	<u>\$ 184,728</u>

27. FINANCIAL INSTRUMENTS

(1) Fair value of financial instruments not measured at fair value

The consolidated company's management considers that carrying amount of financial instruments that are not measured at fair value in the consolidated financial statements approximate the fair values.

(2) Fair value information – financial instruments measured at fair value on a recurring basis

Fair value hierarchy

June 30, 2025

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Beneficiary certificates of funds	<u>\$ 9,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,541</u>

December 31, 2024

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at fair value through profit or loss</u>				
Beneficiary certificates of funds	\$ <u>9,760</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>9,760</u>

There was no transfer between level 1 and level 2 fair value measurement for the six months ended June 30, 2025.

(3) Categories of financial instruments

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
<u>Financial assets</u>			
Measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 9,541	\$ 9,760	\$ -
Financial assets at amortized cost (Note 1)	383,120	327,123	386,036
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	249,384	262,881	371,881

Note 1: Including financial assets measure at amortized cost such as cash, financial assets at amortized cost, notes receivable, accounts receivable, other receivables (excluding tax refund receivable), and refundable deposits.

Note 2: Including financial liabilities measured at amortized cost such as short-term loans, accounts payable, other payables (excluding salaries and bonus payable, employees' welfare funds, operating tax, and insurance expenses), long-term loans with maturity within 1 year, long-term loans and guaranteed deposits received.

(4) Financial risk management objectives and policies

The consolidated company's main financial instruments include equity and debt investments, borrowings, receivables, payables, and lease liabilities. The financial risks related to these instruments arising from operations include market risk (comprising foreign exchange risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

A. Market risk

The main financial risks borne by the consolidated company are foreign currency risk (please refer to (I) below) and interest risk (please refer to (II) below).

(I) Foreign currency risk

The company engages in foreign currency sales and purchases, which exposes it to exchange rate fluctuations. To minimize risks, the company

regularly assesses the net risk for sales and cost amounts in non-functional currencies and adjusts its cash holdings accordingly.

The carrying amounts of the consolidated company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 31.

Sensitivity analysis

The consolidated company is mainly exposed to the US dollar exchange rate fluctuation.

The following table details the consolidated company's sensitivity to a 1% change in the functional currency against US dollars. 1% is the sensitivity rate used when reporting exchange rate risk to key management in the consolidated company. This rate is based on management's evaluation of potential fluctuations in foreign currency exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The scope of the sensitivity analysis includes the consolidated company's external accounts receivable and accounts payable, intercompany receivables and payables with foreign operations, and the balances of foreign currency bank accounts.

Positive amounts in the table below represent the increase in pre-tax net loss when the functional currency depreciates by 1% against the US dollar; conversely, when the functional currency appreciates by 1% against the US dollar, the impact on pre-tax net loss will be the same amount but negative.

	Impact of the US dollar	
	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Profit (Loss)	\$ 1,751	\$ 925

The above mainly arises from the consolidated company's outstanding foreign currency-denominated receivables, payables, and bank balances as of the balance sheet date that are not designated as cash flow hedges.

The increase in the consolidated company's foreign exchange sensitivity during the current period is primarily due to the growth in net foreign currency assets.

(II) Interest risk

The consolidated company's bank deposits and borrowings consist of fixed and floating interest rates which may lead to the consolidated company's exposure to interest risk.

The carrying amounts of the consolidated company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Fair value interest rate risk			
— Financial liabilities	\$ 138,618	\$ 82,898	\$ 122,438
Cash flow interest rate risk			
— Financial assets	165,650	97,100	132,718
— Financial liabilities	50,000	100,000	60,000

Sensitivity analysis

The sensitivity analysis below was determined based on the consolidated company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of change used when reporting interest rates to the key management in the consolidated company reflects a 25-basis point increase or decrease per annum. This rate serves as a reference for potential fluctuations to the management team in their evaluations.

If the interest rate increases/decreases by 25 basis points, with all other variables held constant, the consolidated company's pre-tax net loss for the period from January 1 to June 30, 2025, would decrease/increase by NT\$145 thousand; for the same period in 2024, the pre-tax net loss would decrease/increase by NT\$91 thousand. This is mainly attributable to the consolidated company's net exposure arising from bank deposits and borrowings subject to floating interest rates.

The consolidated company's sensitivity to interest rates changed for the six months ended June 30, 2025, mainly due to the increase in financial assets at floating interest rates.

(III) Other price risk

The consolidated company is exposed to price risk for investments in beneficiary certificates of funds.

Sensitivity analysis

The sensitivity analysis as follows is based on the prices of beneficiary certificates of funds at the balance sheet date.

If the prices of funds increased/decreased by 1%, the pre-tax net loss for the six months ended June 30, 2025 would have decreased/increased by NT\$95 thousand for the increase/decrease in fair value of financial assets at fair value through profit or loss.

The changes in sensitivity to price risk for the six months ended June 30, 2025 primarily for the increase in beneficiary certificates of funds.

B. Credit risk

Credit risk refers to the risk of financial loss to the consolidated company arising from a counterparty's failure to meet its contractual obligations. As of the balance sheet date, the consolidated company's maximum exposure to credit risk primarily relates to the carrying amounts of financial assets recognized in the consolidated balance sheet, which may result in financial losses if counterparties fail to fulfill their obligations.

The consolidated company has adopted a policy to only carry out transactions with reputable counterparties; therefore, no significant credit risk is anticipated.

C. Liquidity risk

The consolidated company's objective is to finance its operations and mitigate the effects of fluctuations in cash flows using cash and cash equivalents, equity investments and bank loans. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The consolidated company relies on bank borrowings as a significant source of liquidity. As of the balance sheet date, the consolidated company had available unutilized short-term bank loan facilities set out in (II) below.

(I) Liquidity and interest rate risk tables

June 30, 2025

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	\$ 70,206	\$ 29,152	\$ 26	\$ -	\$ -
Floating rate instrument	\$ -	\$ -	\$ 50,303	\$ -	\$ -
Fixed rate instrument	\$ -	\$ 100,378	\$ -	\$ -	\$ -
Lease liabilities	\$ 2,026	\$ 4,604	\$ 14,573	\$ 16,706	\$ 4,413

December 31, 2024

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	\$ 84,566	\$ 41,718	\$ 139	\$ 6,458	\$ -
Floating rate instrument	\$ 20,026	\$ 80,249	\$ -	\$ -	\$ -
Fixed rate instrument	\$ 30,039	\$ -	\$ -	\$ -	\$ -
Lease liabilities	\$ 2,083	\$ 4,725	\$ 20,483	\$ 23,515	\$ 7,009

June 30, 2024

Non-derivative financial liabilities	On demand or less than 1 month	1~3 months	3~12 months	1~5 years	5+ years
Non-interest-bearing liabilities	\$ 152,001	\$ 90,980	\$ 152	\$ 6,458	\$ -
Floating rate instrument	\$ 30,122	\$ 30,252	\$ 646	\$ 1,508	\$ -
Fixed rate instrument	\$ 60,046	\$ -	\$ -	\$ -	\$ -
Lease liabilities	\$ 2,033	\$ 2,875	\$ 22,218	\$ 32,028	\$ 8,972

(II) Financing facilities

	June 30, 2025	December 31, 2024	June 30, 2024
Amount of short-term bank loans			
— Amount used	\$ 150,000	\$ 130,000	\$ 120,000
— Amount unused	369,300	346,393	452,450
	<u>\$ 519,300</u>	<u>\$ 476,393</u>	<u>\$ 572,450</u>
Amount of long-term bank loans			
— Amount used	\$ -	\$ -	\$ 2,290
— Amount unused	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,290</u>

28. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Except for information disclosed elsewhere in the other notes, details of transactions between the consolidated company and other related parties are disclosed as follows:

(1) Related party name and category

Related Party Name	Relationship with the Company
AtechOEM Inc.	Substantive Related Parties; became non-related party since June 24, 2025
Weikeng Industrial Co., Ltd.	Substantive Related Parties; became non-related party since June 20, 2024

(2) Purchases of goods

Related party category	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Substantive related parties	<u>\$ 463</u>	<u>\$ 342</u>	<u>\$ 1,330</u>	<u>\$ 1,933</u>

There is no significant difference regarding the terms and conditions for the purchase price and the payment terms between the consolidated company and related parties.

(3) Payables to related parties

Item	Related party category/Name	June 30, 2025	December 31, 2024	June 30, 2024
Accounts payable	Substantive related parties	<u>\$ -</u>	<u>\$ 104</u>	<u>\$ -</u>

There is no guarantee provided for outstanding balance of payables to related parties.

(4) Compensation of key management personnel

	For the three months ended June 30, 2025	For the three months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Short-term employee benefits	\$ 4,238	\$ 4,386	\$ 8,605	\$ 8,532
Post-employment benefits	35	35	70	70
	<u>\$ 4,273</u>	<u>\$ 4,421</u>	<u>\$ 8,675</u>	<u>\$ 8,602</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and market trends.

29. ASSETS PLEDGED AS SECURITY

The following assets have been provided in response to relevant tax laws and regulations as collateral for short-term bank loans:

	June 30, 2025	December 31, 2024	June 30, 2024
Land	\$ 57,996	\$ 57,996	\$ 57,996
Building	28,561	29,058	29,553
Pledged time deposits (recognized as financial assets at amortized cost)	<u>2,500</u>	<u>1,500</u>	<u>1,500</u>
	<u>\$ 89,057</u>	<u>\$ 88,554</u>	<u>\$ 89,049</u>

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENT

Significant contingent liabilities and unrecognized commitments of the consolidated company as of the balance sheet date, excluding those disclosed in other notes, were as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Acquisition of property, plant and equipment	<u>\$ 4,631</u>	<u>\$ 246</u>	<u>\$ 6,378</u>

31. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The consolidated company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the consolidated company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

June 30, 2025

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 8,160	29.30 (USD : NTD)	\$ 239,085
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	1,833	29.30 (USD : NTD)	53,702
USD	350	7.1586 (USD : RMB)	10,255

December 31, 2024

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 6,698	32.785 (USD : NTD)	\$ 219,599
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	2,019	32.785 (USD : NTD)	66,189

June 30, 2024

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 7,514	32.450 (USD : NTD)	\$ 243,823
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	4,663	32.450 (USD : NTD)	151,305

Foreign currency exchange gains and losses with significant impact (including realized and unrealized) are as follows:

	<u>For the three months ended June 30, 2025</u>		<u>For the three months ended June 30, 2024</u>	
<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Net exchange gain (loss)</u>	<u>Exchange rate</u>	<u>Net exchange gain (loss)</u>
USD	30.823 (USD : NTD)	<u>(\$ 16,364)</u>	32.36 (USD : NTD)	<u>\$ 4,179</u>
	<u>For the six months ended June 30, 2025</u>		<u>For the six months ended June 30, 2024</u>	
<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Net exchange gain (loss)</u>	<u>Exchange rate</u>	<u>Net exchange gain (loss)</u>
USD	31.859 (USD : NTD)	<u>(\$ 13,856)</u>	31.90 (USD : NTD)	<u>\$ 10,566</u>

32. OTHER DISCLOSURES

(1) Information on significant transactions:

- A. Financing provided to others: None;
- B. Endorsements/guarantees provided: None;
- C. Significant marketable securities held (excluding investments in subsidiaries, associates, and jointly controlled entities): Table 1;
- D. Total purchases from or sales to related parties of at least to NT\$100 million or 20% of the paid-in capital: None;
- E. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None;
- F. Others: intercompany relationships and significant intercompany transactions: Table 2.

(2) Information on investees: Table 3.

(3) Information on investments in Mainland China:

- A. The name of the investee in Mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, net income (losses) of the investee, investment income (losses), ending balance, amount received as dividends from the investee, and the limitation on investee: Table 4;
- B. Significant direct or indirect transactions with the investee, its prices and terms of payment and unrealized gain or loss: None;
 - (I) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - (II) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - (III) The amount of property transactions and the amount of the resultant gains or losses.
 - (IV) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - (V) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - (VI) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

33. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The reportable segments of the consolidated company are as below:

(1) Segment revenue and operating results

Revenue and operating results of operating segments are analyzed by reportable segments as follows:

	Segment Revenue		Segment Profit or Loss	
	For the six months ended June 30, 2025	For the six months ended June 30, 2024	For the six months ended June 30, 2025	For the six months ended June 30, 2024
Direct customer segment	\$ 40,192	\$ 1,987	\$ 5,701	\$ 267
Agency segment	404,447	426,242	(23,619)	(16,480)
US sales segment	125,499	115,156	(7,315)	(15,601)
China sales segment	10,561	19,133	(3,855)	(7,776)
Other segments	<u>47,166</u>	<u>8,902</u>	<u>21,986</u>	<u>323</u>
Total for operation units	<u>\$ 627,865</u>	<u>\$ 571,420</u>	(7,102)	(39,267)
Interest income			702	570
Other incomes			631	631
Other gains and losses			(14,095)	10,534
Headquarters' management costs and directors' remuneration			(5,652)	(5,652)
Financial costs			(2,397)	(2,048)
Net loss before tax			<u>(\$ 27,913)</u>	<u>(\$ 35,232)</u>

Segment profits refer to the earnings by each division, excluding apportionable administrative costs of headquarter and directors' remuneration, interest income, other incomes, other profit or loss, financial costs, and income tax expense. The amount of measurement is then provided to the chief operating decision-maker to allocate resources to divisions and evaluate the division's performance.

(2) Total segment assets and liabilities

The amount of measurement for the consolidate company's assets and liabilities was not provided to the chief operating decision-maker, so the relevant information will not be disclosed.

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Marketable securities held at the end of the period
June 30, 2025

Table 1

Unit: in thousands of NTD

Holding Company Name	Marketable Securities Type and Name	Relationship with the holding company	Financial Statement Account	End of the reporting period				Note
				Shares／Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
CIPHERLAB CO., LTD.	<u>Funds</u> Cathay US Premium Bond Fund	None	Financial assets measured at fair value through profit or loss	904,822	\$ 9,541	-	\$ 9,541	Note

Note: Net asset value of the aforementioned investments in beneficiary certificates of funds at the balance sheet date is the fair value.

CIPHERLAB CO., LTD. AND SUBSIDIARIES
Intercompany relationships and significant intercompany transactions
For the six months ended June 30, 2025

Table 2

Unit: in thousands of NTD

No. (Note 1)	Company Name	Counterparty	Relationship	Intercompany Transactions			
				Financial Statement Item	Amount (Note 2)	Transaction Terms	Percentage of Consolidated Net Revenue or Total Assets (%) (Note 3)
0	CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Parent company to subsidiary	Sales revenue	\$ 84,732	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	13
				Accounts receivable – related parties	44,975		4
				Unrealized profit of associated companies	27,794		4
0	CIPHERLAB CO., LTD.	MPLUS TECHNOLOGY CO., LTD.	Parent company to subsidiary	Sales revenue	21,393	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	3
				Accounts receivable – related parties	25,703		2
1	CipherLab Electron Trade (Shanghai) Limited Company.	CIPHERLAB LIMITED (SAMOA)	Subsidiary to subsidiary	Other payables – related parties	10,255	Return of capital to shareholders in cash	1

The business relationship between the parent company and its subsidiaries:

The company is mainly engaged in the manufacture and sales of electronic products. CIPHERLAB LIMITED (SAMOA) is a holding company, CIPHERLAB USA, INC. and CipherLab (Shanghai) are mainly engaged in sales of electronic products, and MPLUS TECHNOLOGY is primarily involved operation of development and sales of electronic products.

Note 1: Significant transaction between the parent company and its subsidiaries or among subsidiaries are numbered as follows:

1. Enter 0 for the parent company.
2. Subsidiaries are numbered sequentially from “1” according to company type.

Note 2: The table attached only discloses information regarding one-sided transactions that have been written off in the preparation of consolidated financial statements.

Note 3: Regarding the ratio of the transaction amount to the consolidated total operating income or total assets, it is calculated by the ending balance to the consolidated if it is recognized as liabilities; if as profit or loss, then by the ending cumulative amount to the consolidated total operating income.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Name, location, and related information of investees

For the six months ended June 30, 2025

Table 3

Unit: in thousands of NTD, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of June 30, 2025			Net Income/Losses of the Investee	Recognized Investment Income/Losses	Note
				June 30, 2025	December 31, 2024	Shares	Percentage of Ownership	Carrying Amount			
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	USA	Electronics sales	USD 5,150	USD 5,150	5,000,000	100	NTD 11,442 (Note 2)	(NTD 15,463)	(NTD 15,463)	Note 1 and 3
	CIPHERLAB LIMITED (SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 12,695 (Note 2)	NTD 697	NTD 697	"
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 37,000	2,751,282	95	NTD 13,234	NTD 19,089	NTD 18,110	"

Note 1: No market price is available, and the carrying amount on the balance sheet date is the fair value.

Note 2: The unrealized sales gross profit at the period's end was deducted.

Note 3: The amounts have been eliminated at preparing the consolidated financial statement.

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Information on investment in Mainland China

For the six months ended June 30, 2025

Table 4

Unit: in thousands of NTD, unless specified otherwise

1. Name of the investee company in Mainland China, main business and products, paid-in capital, investment method, investment flows, shareholding ratio, investment profit or loss, investment carrying amount, and inward remittance of investment earnings:

Investee company name	Main business and products	Total Amount of Paid-in capital	Investment Method (Note 1)	Accumulated outflow of investment from Taiwan at the beginning of the period	Investment flows		Accumulated outflow of investment from Taiwan at the end of the reporting period	Current profit or loss of the investee company	Ownership of direct or indirect investment (%)	Current recognized investment profit or loss (Note 2.2.(2))	Carrying value at the end of the period	Accumulated inward remittance of investment earnings at the end of reporting period	Note
					Out flow	Inflow							
CipherLab Electron Trade (Shanghai) Limited Company	Electronics sales	\$ 119,388 (USD 3,800) (Note 5)	(2)	\$ 130,384 (USD 4,150)	\$ -	\$ -	\$ 130,384 (USD 4,150) (Note 4)	\$ 736	100	\$ 736	\$ 1,683	\$ -	Has been consolidated and written off when preparing this consolidated financial statement.

2. Investment amount in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 130,384 (USD 4,150)	\$ 130,384 (USD 4,150)	\$ 419,943

Note 1: The methods for engaging in investment in mainland China include the following:

- 1. Direct investment in Mainland China.
- 2. Indirect investment in Mainland China through a third area (CIPHERLAB LIMITED (SAMOA)).
- 3. Other method

Note 2: The investment income (loss) recognized in current period:

- 1. No investment income (loss) has been recognized due to the investment is still in the development stage.
- 2. The investment income (loss) was determined based on the following basis:
 - (1) The financial report was reviewed and certified by an international accounting firm in cooperation with an accounting firm in the ROC.
 - (2) The financial statements were reviewed by the parent company’s auditors.
 - (3) Others

Note 3: The figures presented in this table are in New Taiwan Dollars.

Note 4: The company has remitted a total of US\$4,150 thousand for investment.

Note 5: CipherLab Electronics Trading (Shanghai) Co., Ltd. carried out a cash capital reduction in January 2025 and completed the registration of capital cancellation in the amount of US\$350 thousand. Since the parent company has not yet recovered the investment, the accumulated investment amount remitted from Taiwan was not deducted by such amount at the end of the current period.