

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Review Report

For the Nine Months Ended September 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 September 30, 2025 and 2024, and the related consolidated statement of comprehensive income for the three months ended September 30, 2025 and 2024, and for the nine months ended September 30, 2025 and 2024, and the consolidated statement of changes in equity and cash flows for the nine 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 September 30, 2025 and 2024, and of its consolidated financial performance for the three months ended September 30, 2025 and 2024, and its consolidated financial performance and cash flows for the nine months ended September 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

November 5, 2025

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

September 30, 2025, December 31, 2024, and September 30, 2024

In Thousands of New Taiwan Dollars

Code	Assets	September 30, 2025		December 31, 2024		September 30, 2024	
		Amount	%	Amount	%	Amount	%
1100	Current assets						
1100	Cash (Note 6)	\$ 164,783	15	\$ 129,690	11	\$ 93,167	8
1110	Financial assets at fair value through profit or loss – current (Note 7 & 27)	34,895	3	9,760	1	9,923	1
1136	Financial assets at amortized cost – current (Note 8 & 29)	2,500	-	1,500	-	1,500	-
1150	Notes receivable (Note 9 & 21)	48	-	228	-	41	-
1170	Accounts receivable (Note 9 & 21)	151,362	13	189,117	16	171,271	14
1200	Other receivables (Note 9)	20,207	2	6,635	1	13,425	1
1220	Current tax assets	139	-	5,959	-	5,915	-
130X	Inventories (Note 10)	457,292	40	539,289	45	600,241	50
1479	Other current assets (Note 15)	52,763	5	43,864	4	38,605	3
11XX	Total current assets	<u>883,989</u>	<u>78</u>	<u>926,042</u>	<u>78</u>	<u>934,088</u>	<u>77</u>
1600	Non-current assets						
1600	Property, plant and equipment (Note 12 & 29)	111,310	10	120,304	10	117,041	10
1755	Right-of-use assets (Note 13)	29,637	3	48,917	4	52,206	4
1780	Other intangible assets (Note 14)	1,729	-	1,794	-	1,775	-
1840	Deferred tax assets	97,321	8	87,910	7	91,511	8
1990	Other non-current assets (Note 15)	9,645	1	8,691	1	10,972	1
15XX	Total non-current assets	<u>249,642</u>	<u>22</u>	<u>267,616</u>	<u>22</u>	<u>273,505</u>	<u>23</u>
1XXX	Total assets	<u>\$ 1,133,631</u>	<u>100</u>	<u>\$ 1,193,658</u>	<u>100</u>	<u>\$ 1,207,593</u>	<u>100</u>
Code	Liabilities and equity						
2100	Current liabilities						
2100	Short-term borrowings (Note 16)	\$ 150,000	13	\$ 130,000	11	\$ 140,000	12
2170	Accounts payable (Note 17 & 28)	69,076	6	59,225	5	65,432	5
2219	Other payables (Note 18)	75,038	7	92,562	8	98,408	8
2280	Lease liabilities – current (Note 13)	14,904	1	27,999	2	25,575	2
2399	Other current liabilities (Note 18 & 21)	65,209	6	66,483	5	62,892	5
21XX	Total current liabilities	<u>374,227</u>	<u>33</u>	<u>376,269</u>	<u>31</u>	<u>392,307</u>	<u>32</u>
2570	Non-current liabilities						
2570	Deferred tax liabilities	5,982	-	6,775	1	5,783	-
2580	Lease liabilities – non-current (Note 13)	18,513	2	24,899	2	30,390	3
2640	Net defined benefit liability – non-current (Note 4)	6,080	-	6,081	1	8,369	1
2670	Other non-current liabilities (Note 18 & 21)	41,532	4	52,486	4	51,042	4
25XX	Total non-current liabilities	<u>72,107</u>	<u>6</u>	<u>90,241</u>	<u>8</u>	<u>95,584</u>	<u>8</u>
2XXX	Total liabilities	<u>446,334</u>	<u>39</u>	<u>466,510</u>	<u>39</u>	<u>487,891</u>	<u>40</u>
3110	Equity attributable to owners of parent company (Note 20)						
3110	Ordinary share capital	<u>684,891</u>	<u>61</u>	<u>684,891</u>	<u>58</u>	<u>684,891</u>	<u>57</u>
3210	Capital surplus	<u>1,151</u>	<u>-</u>	<u>1,151</u>	<u>-</u>	<u>1,151</u>	<u>-</u>
3310	(Accumulated Deficit) Retained earnings						
3310	Legal reserve	37,124	3	73,869	6	73,869	6
3320	Special reserve	-	-	867	-	867	-
3350	Accumulated deficit	(37,901)	(3)	(37,612)	(3)	(42,941)	(3)
3300	Total retained earnings (accumulated deficit)	<u>(777)</u>	<u>-</u>	<u>37,124</u>	<u>3</u>	<u>31,795</u>	<u>3</u>
3410	Other equity						
3410	Exchange differences on translation of foreign financial statements	3,478	-	6,426	-	4,483	-
3420	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	(2,180)	-	(2,180)	-	(2,180)	-
3400	Total other equity interest	<u>1,298</u>	<u>-</u>	<u>4,246</u>	<u>-</u>	<u>2,303</u>	<u>-</u>
31XX	Total equity interest attributable to owners of parent company	<u>686,563</u>	<u>61</u>	<u>727,412</u>	<u>61</u>	<u>720,140</u>	<u>60</u>
36XX	Non-controlling interest	<u>734</u>	<u>-</u>	<u>(264)</u>	<u>-</u>	<u>(438)</u>	<u>-</u>
3XXX	Total equity interest	<u>687,297</u>	<u>61</u>	<u>727,148</u>	<u>61</u>	<u>719,702</u>	<u>60</u>
	Total liabilities and equity	<u>\$ 1,133,631</u>	<u>100</u>	<u>\$ 1,193,658</u>	<u>100</u>	<u>\$ 1,207,593</u>	<u>100</u>

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

Chairman : Liau, Yi-Yan

Manager : Liau, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended September 30, 2025 and 2024, and for the nine months ended September 30, 2025 and 2024

In Thousands of New Taiwan Dollars
Except Losses per Share

Code		For the three months ended September 30, 2025		For the three months ended September 30, 2024		For the nine months ended September 30, 2025		For the nine months ended September 30, 2024	
		Amount	%	Amount	%	Amount	%	Amount	%
	Operating revenues (Note 21)								
4100	Sales revenue	\$ 257,439	94	\$ 313,982	95	\$ 849,663	94	\$ 856,486	95
4600	Service revenue	17,639	6	16,577	5	53,280	6	45,493	5
4000	Total operating revenue	<u>275,078</u>	<u>100</u>	<u>330,559</u>	<u>100</u>	<u>902,943</u>	<u>100</u>	<u>901,979</u>	<u>100</u>
	Operating costs								
5110	Cost of sales (Note 10, 22 & 28)	(169,232)	(62)	(207,163)	(63)	(542,854)	(60)	(556,710)	(62)
5600	Cost of services	(340)	-	(604)	-	(1,084)	-	(1,327)	-
5000	Total operating costs	<u>(169,572)</u>	<u>(62)</u>	<u>(207,767)</u>	<u>(63)</u>	<u>(543,938)</u>	<u>(60)</u>	<u>(558,037)</u>	<u>(62)</u>
5900	Gross profit from operations	<u>105,506</u>	<u>38</u>	<u>122,792</u>	<u>37</u>	<u>359,005</u>	<u>40</u>	<u>343,942</u>	<u>38</u>
	Operating expenses (Note 22)								
6100	Selling expenses	(73,207)	(27)	(69,316)	(21)	(224,780)	(25)	(190,994)	(21)
6200	Administrative expenses	(17,965)	(6)	(18,030)	(5)	(51,487)	(6)	(53,130)	(6)
6300	Research and development expenses	(41,598)	(15)	(51,417)	(16)	(120,501)	(13)	(159,450)	(18)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9 (Note 9)	<u>1,458</u>	<u>1</u>	<u>(282)</u>	<u>-</u>	<u>(797)</u>	<u>-</u>	<u>(1,540)</u>	<u>-</u>
6000	Total operating expenses	<u>(131,312)</u>	<u>(47)</u>	<u>(139,045)</u>	<u>(42)</u>	<u>(397,565)</u>	<u>(44)</u>	<u>(405,114)</u>	<u>(45)</u>
6900	Net operating loss	<u>(25,806)</u>	<u>(9)</u>	<u>(16,253)</u>	<u>(5)</u>	<u>(38,560)</u>	<u>(4)</u>	<u>(61,172)</u>	<u>(7)</u>
	Non-operating income and expenses (Note 22)								
7100	Interest income	220	-	83	-	922	-	653	-
7010	Other income (Note 25)	612	-	325	-	1,243	-	956	-
7020	Other gains and losses	7,685	3	(1,521)	(1)	(6,410)	(1)	9,013	1
7050	Finance costs	<u>(1,169)</u>	<u>-</u>	<u>(1,226)</u>	<u>-</u>	<u>(3,566)</u>	<u>-</u>	<u>(3,274)</u>	<u>-</u>
7000	Total non-operating income and expenses	<u>7,348</u>	<u>3</u>	<u>(2,339)</u>	<u>(1)</u>	<u>(7,811)</u>	<u>(1)</u>	<u>7,348</u>	<u>1</u>
7900	Loss before tax	<u>(18,458)</u>	<u>(6)</u>	<u>(18,592)</u>	<u>(6)</u>	<u>(46,371)</u>	<u>(5)</u>	<u>(53,824)</u>	<u>(6)</u>
7950	Income tax benefit (Note 4 & 23)	<u>3,756</u>	<u>1</u>	<u>3,722</u>	<u>1</u>	<u>9,468</u>	<u>1</u>	<u>10,765</u>	<u>1</u>
8200	Loss for the year	<u>(14,702)</u>	<u>(5)</u>	<u>(14,870)</u>	<u>(5)</u>	<u>(36,903)</u>	<u>(4)</u>	<u>(43,059)</u>	<u>(5)</u>
	Other comprehensive income (Note 20 & 23)								
8360	Components of other comprehensive income that will be reclassified to profit or loss								
8361	Exchange differences on translation	2,618	-	(1,877)	-	(3,684)	-	3,963	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>(524)</u>	<u>-</u>	<u>375</u>	<u>-</u>	<u>736</u>	<u>-</u>	<u>(793)</u>	<u>-</u>
8300	Total other comprehensive income (after tax)	<u>2,094</u>	<u>-</u>	<u>(1,502)</u>	<u>-</u>	<u>(2,948)</u>	<u>-</u>	<u>3,170</u>	<u>1</u>
8500	Total comprehensive income	<u>(\$ 12,608)</u>	<u>(5)</u>	<u>(\$ 16,372)</u>	<u>(5)</u>	<u>(\$ 39,851)</u>	<u>(4)</u>	<u>(\$ 39,889)</u>	<u>(4)</u>
	Loss attributable to:								
8610	Owners of parent company	(\$ 14,721)	(5)	(\$ 14,806)	(5)	(\$ 37,901)	(4)	(\$ 42,941)	(5)
8620	Non-controlling interests	19	-	(64)	-	(998)	-	(118)	-
8600		<u>(\$ 14,702)</u>	<u>(5)</u>	<u>(\$ 14,870)</u>	<u>(5)</u>	<u>(\$ 36,903)</u>	<u>(4)</u>	<u>(\$ 43,059)</u>	<u>(5)</u>
	Comprehensive income attributable to:								
8710	Owners of parent company	(\$ 12,627)	(5)	(\$ 16,308)	(5)	(\$ 40,849)	(4)	(\$ 39,771)	(4)
8720	Non-controlling interests	19	-	(64)	-	(998)	-	(118)	-
8700		<u>(\$ 12,608)</u>	<u>(5)</u>	<u>(\$ 16,372)</u>	<u>(5)</u>	<u>(\$ 39,851)</u>	<u>(4)</u>	<u>(\$ 39,889)</u>	<u>(4)</u>
	Losses per share (Note 24)								
9710	Basic	<u>(\$ 0.21)</u>		<u>(\$ 0.22)</u>		<u>(\$ 0.55)</u>		<u>(\$ 0.63)</u>	

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

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

In Thousands of New Taiwan Dollars

Code		Equities attributable to owners of parent company										Non-controlling interests	Total equity		
		Retained Earnings					Other Equity			Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	Total				
		Ordinary share capital	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Exchange differences on translation of foreign financial statements								
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				
B13	Deficit compensation of 2023 (Note 20)														
B13	Legal reserve used to offset accumulated deficits	-	-	(4,129)	-	4,129	-	-	-	-	-	-	-		
B17	Reversal of special reserve	-	-	-	(217)	217	-	-	-	-	-	-	-		
D1	Net loss for the nine months ended September 30, 2024	-	-	-	-	(42,941)	-	-	(42,941)	(118)	(43,059)				
D3	Other comprehensive income for the nine months ended September 30, 2024	-	-	-	-	-	3,170	-	3,170	-	-	3,170			
D5	Total comprehensive income for the nine months ended September 30, 2024	-	-	-	-	(42,941)	3,170	-	(39,771)	(118)	(39,889)				
Z1	Balance as of September 30, 2024	\$ 684,891	\$ 1,151	\$ 73,869	\$ 867	(\$ 42,941)	\$ 4,483	(\$ 2,180)	\$ 720,140	(\$ 438)	\$ 719,702				
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				
B13	Appropriation and distribution of 2024 earnings (Note 20)														
B13	Legal reserve used to offset accumulated deficits	-	-	(36,745)	-	36,745	-	-	-	-	-	-	-		
B17	Reversal of special reserve	-	-	-	(867)	867	-	-	-	-	-	-	-		
D1	Net loss for the nine months ended September 30, 2025	-	-	-	-	(37,901)	-	-	(37,901)	998	(36,903)				
D3	Other comprehensive income for the nine months ended September 30, 2025	-	-	-	-	-	(2,948)	-	(2,948)	-	(2,948)				
D5	Total comprehensive income for the nine months ended September 30, 2025	-	-	-	-	(37,901)	(2,948)	-	(40,849)	998	(39,851)				
Z1	Balance as of September 30, 2025	\$ 684,891	\$ 1,151	\$ 37,124	\$ -	(\$ 37,901)	\$ 3,478	(\$ 2,180)	\$ 686,563	\$ 734	\$ 687,297				

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

Chairman : Liau, Yi-Yan

Manager : Liau, Yi-Yan

Accounting : Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2025 and 2024

Code		In Thousands of New Taiwan Dollars	
		For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
	Cash flows from operating activities		
A10000	Loss before tax	(\$ 46,371)	(\$ 53,824)
A20010	Adjustments for items of income and expense		
A20100	Depreciation expenses	34,233	31,872
A20200	Amortization expenses	1,642	2,554
A20300	Expected credit impairment loss	797	1,540
A20400	Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(135)	77
A20900	Finance costs	3,566	3,274
A21200	Interest income	(922)	(653)
A23700	Inventory valuation and obsolescence losses	3,987	6,400
A24100	Unrealized foreign exchange gains	(1,188)	(1,140)
A30000	Changes in operating assets and liabilities		
A31115	Decrease (increase) in financial assets at fair value through profit or loss, mandatorily measured at fair value	(25,000)	(10,000)
A31130	Notes receivable	180	2,444
A31150	Accounts receivable	29,373	6,405
A31180	Other receivables	(13,332)	16,142
A31200	Inventories	75,786	(75,747)
A31240	Other current assets	(9,272)	5,438
A32150	Accounts payable	9,906	(57,588)
A32180	Other payables	(12,823)	3,366
A32230	Other current liabilities	(96)	10,911
A32240	Net defined benefit liabilities	(1)	3
A32990	Other non-current liabilities	(3,351)	(1,338)
A33000	Cash generated from operations	46,979	(109,864)
A33100	Interest received	921	653
A33500	Refund (payment) of income tax	5,820	(33)
AAAA	Net cash flows generated from (used in) operating activities	<u>53,720</u>	<u>(109,244)</u>
	Cash flows from investing activities		
B00040	Increase in financial assets at amortized cost	(1,000)	-
B02700	Acquisition of property, plant and equipment	(6,762)	(7,239)

(Continue)

(Previous)

Code		For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
B04500	Acquisition of intangible assets	(\$ 996)	(\$ 288)
B06700	Increase in other non-current assets	(3,253)	(7,543)
BBBB	Net cash flows used in investing activities	(12,011)	(15,070)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	20,000	60,000
C01700	Repayment for long-term borrowings	-	(3,278)
C04020	Repayment of lease liabilities	(20,656)	(19,530)
C05600	Interest paid	(3,509)	(3,228)
CCCC	Net cash flows from (used in) financing activities	(4,165)	33,964
DDDD	Effect of exchange rate changes on cash	(2,451)	747
EEEE	Net increase (decrease) in cash	35,093	(89,603)
E00100	Cash at beginning of the period	129,690	182,770
E00200	Cash at end of the period	<u>\$ 164,783</u>	<u>\$ 93,167</u>

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

Chairman: Liau, Yi-Yan

Manager: Liau, Yi-Yan

Accounting: Chang, Chia-Jung

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

For the nine months ended September 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 November 5, 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

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
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 Contracts” (including the 2020 and 2021 Amendments)	January 1, 2023

As of the date of authorization 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

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note 2)
IFRS 19 “Subsidiaries without Public Accountability: Disclosure” (including the 2025 Amendments)	January 1, 2027

Note1: Unless otherwise specified, the aforementioned newly issued, amended, or revised standards and interpretations are effective for annual reporting periods beginning on or after their respective dates.

Note2: On September 25, 2025, the Financial Supervisory Commission (FSC) announced that domestic enterprises are required to apply IFRS 18 starting January 1, 2028. Early adoption is permitted once the standard is endorsed by the FSC.

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 labeled 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 as 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 4 and Table 5 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

	September 30, 2025	December 31, 2024	September 30, 2024
Cash on hand & revolving fund	\$ 143	\$ 112	\$ 117
Checking accounts	51,729	33,977	27,991
Demand deposits	<u>112,911</u>	<u>95,601</u>	<u>65,059</u>
	<u>\$ 164,783</u>	<u>\$ 129,690</u>	<u>\$ 93,167</u>

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

	September 30, 2025	December 31, 2024	September 30, 2024
Bank deposit	0.005%~0.85%	0.005%~1.00%	0.002%~1.15%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Financial assets – current</u>			
Mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Beneficiary certificates of funds	\$ 34,895	\$ 9,760	\$ 9,923

8. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2025	December 31, 2024	September 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:

	September 30, 2025	December 31, 2024	September 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

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Notes receivable</u>			
Financial assets at amortized cost			
Total carrying amount	\$ 48	\$ 228	\$ 41
Less: loss allowance	\$ -	\$ -	\$ -
	\$ 48	\$ 228	\$ 41
Arising from operations	\$ 48	\$ 228	\$ 41
<u>Accounts receivable</u>			
Financial assets at amortized cost			
Total carrying amount	\$ 153,169	\$ 190,163	\$ 172,899
Less: loss allowance	(1,807)	(1,046)	(1,628)
	\$ 151,362	\$ 189,117	\$ 171,271

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Other receivables</u>			
Receivables for outward processing	\$ 12,677	\$ 9	\$ 7,306
Tax refund receivable	7,382	6,496	6,103
Others	<u>148</u>	<u>130</u>	<u>16</u>
	<u><u>\$ 20,207</u></u>	<u><u>\$ 6,635</u></u>	<u><u>\$ 13,425</u></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 September 30, 2025, December 31, 2024, and September 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:

September 30, 2025

	1-30 days		31-60 days		61-90 days		91-120 days		120 days		Total
	Not past due	overdue	Not past due	overdue	Not past due	overdue	Not past due	overdue	Not past due	overdue	
Expected credit loss rate	0%~6.34%	0.05%~12.61%	1.40%~11.65%	5.78%~100%	100%		100%		100%		
Total carrying amount	\$ 119,046	\$ 26,629	\$ 6,032	\$ 781	\$ 3	\$ 678	\$ 678	\$ 153,169			
Loss allowance (Lifetime ECL)	(213)	(21)	(147)	(745)	(3)	(678)	(1,807)				
Amortized cost	<u>\$ 118,833</u>	<u>\$ 26,608</u>	<u>\$ 5,885</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,362</u>			

December 31, 2024

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

September 30, 2024

	1-30 days		31-60 days		61-90 days		91-120 days		120 days		Total
	Not past due	overdue	Not past due	overdue	Not past due	overdue	Not past due	overdue	Not past due	overdue	
Expected credit loss rate	0%~6.33%	0%~0.88%	0.04%~7.86%	6.78%	100%		100%		100%		
Total carrying amount	\$ 138,718	\$ 28,646	\$ 1,969	\$ 2,332	\$ 898	\$ 336	\$ 336	\$ 172,899			
Loss allowance (Lifetime ECL)	(61)	(73)	(102)	(158)	(898)	(336)	(336)	(1,628)			
Amortized cost	<u>\$ 138,657</u>	<u>\$ 28,573</u>	<u>\$ 1,867</u>	<u>\$ 2,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,271</u>			

Changes in loss allowance for accounts receivable are as follows:

	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Beginning balance	\$ 1,046	\$ 206
Add: impairment losses		
recognized in current period	797	1,540
Less: actual write-offs in current period	-	(120)
Exchange difference in foreign currencies	(36)	2
Ending balance	<u>\$ 1,807</u>	<u>\$ 1,628</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 September 30, 2025, December 31, 2024, and September 30, 2024, the consolidated company assessed that it is not necessary to set aside expected credit losses for other receivables.

10. INVENTORY

	September 30, 2025	December 31, 2024	September 30, 2024
Finished goods	\$ 13,734	\$ 16,217	\$ 32,393
Work in process	10,236	15,876	21,427
Raw materials	405,335	464,703	517,926
Merchandise	<u>27,987</u>	<u>42,493</u>	<u>28,495</u>
	<u><u>\$ 457,292</u></u>	<u><u>\$ 539,289</u></u>	<u><u>\$ 600,241</u></u>

The nature of cost of goods sold is as follows:

	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Cost of inventories sold	\$ 166,852	\$ 203,786	\$ 538,867	\$ 550,310
Inventory valuation and obsolescence losses	<u>2,380</u>	<u>3,377</u>	<u>3,987</u>	<u>6,400</u>
	<u><u>\$ 169,232</u></u>	<u><u>\$ 207,163</u></u>	<u><u>\$ 542,854</u></u>	<u><u>\$ 556,710</u></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
			September 30, 2025	December 31, 2024	September 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-generating 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	-	-	-	2,146	-	785	-	2,931
Disposal	-	-	(210)	(533)	-	(2,424)	-	(3,167)
Reclassification (Note)	-	-	-	1,642	-	45	-	1,687
Net exchange difference	-	-	-	-	(101)	(91)	(14)	(206)
Balance as of September 30, 2025	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 14,617</u>	<u>\$ 261,109</u>	<u>\$ 1,308</u>	<u>\$ 84,888</u>	<u>\$ 221</u>	<u>\$475,632</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	-	744	83	9,590	-	3,178	6	13,601
Disposal	-	-	(210)	(533)	-	(2,424)	-	(3,167)
Net exchange difference	-	-	-	-	(101)	(81)	(13)	(195)
Balance as of September 30, 2025	<u>\$ -</u>	<u>\$ 27,179</u>	<u>\$ 14,205</u>	<u>\$ 243,552</u>	<u>\$ 1,308</u>	<u>\$ 77,884</u>	<u>\$ 194</u>	<u>\$364,322</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 September 30, 2025	<u>\$ 57,996</u>	<u>\$ 28,314</u>	<u>\$ 412</u>	<u>\$ 17,557</u>	<u>\$ -</u>	<u>\$ 7,004</u>	<u>\$ 27</u>	<u>\$111,310</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	-	-	-	3,321	-	1,434	-	4,755
Disposal	-	-	(1,025)	-	-	(21,216)	-	(22,241)
Reclassification (Note)	-	-	-	3,545	-	680	-	4,225
Net exchange difference	-	-	-	-	41	52	9	102
Balance as of September 30, 2024	<u>\$ 57,996</u>	<u>\$ 55,493</u>	<u>\$ 14,827</u>	<u>\$ 250,664</u>	<u>\$ 1,361</u>	<u>\$ 86,260</u>	<u>\$ 232</u>	<u>\$466,833</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	-	743	83	7,193	-	3,912	5	11,936
Disposal	-	-	(1,025)	-	-	(21,216)	-	(22,241)
Net exchange difference	-	-	-	-	41	46	7	94
Balance as of September 30, 2024	<u>\$ -</u>	<u>\$ 26,187</u>	<u>\$ 14,304</u>	<u>\$ 231,742</u>	<u>\$ 1,361</u>	<u>\$ 76,002</u>	<u>\$ 196</u>	<u>\$349,792</u>
Net balance as of September 30, 2024	<u>\$ 57,996</u>	<u>\$ 29,306</u>	<u>\$ 523</u>	<u>\$ 18,922</u>	<u>\$ -</u>	<u>\$ 10,258</u>	<u>\$ 36</u>	<u>\$117,041</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

	Buildings	Transportation	Total
<u>Cost</u>			
Balance as of January 1, 2025	\$ 78,655	\$ 4,025	\$ 82,680
Addition	2,585	-	2,585
Reduction	(3,187)	-	(3,187)
Net exchange difference	(2,295)	-	(2,295)
Balance as of September 30, 2025	<u>\$ 75,758</u>	<u>\$ 4,025</u>	<u>\$ 79,783</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2025	\$ 33,046	\$ 717	\$ 33,763
Depreciation expense	19,662	970	20,632
Reduction	(3,187)	-	(3,187)
Net exchange difference	(1,062)	-	(1,062)
Balance as of September 30, 2025	<u>\$ 48,459</u>	<u>\$ 1,687</u>	<u>\$ 50,146</u>
Net balance as of September 30, 2025	<u>\$ 27,299</u>	<u>\$ 2,338</u>	<u>\$ 29,637</u>
<u>Cost</u>			
Balance as of January 1, 2024	\$ 73,407	\$ 3,334	\$ 76,741
Addition	43,596	715	44,311
Reduction	(40,389)	(1,758)	(42,147)
Net exchange difference	<u>928</u>	<u>-</u>	<u>928</u>
Balance as of September 30, 2024	<u>\$ 77,542</u>	<u>\$ 2,291</u>	<u>\$ 79,833</u>
<u>Accumulated depreciation</u>			
Balance as of January 1, 2024	\$ 47,217	\$ 2,310	\$ 49,527
Depreciation expense	18,965	971	19,936
Reduction	(40,389)	(1,758)	(42,147)
Net exchange difference	<u>311</u>	<u>-</u>	<u>311</u>
Balance as of September 30, 2024	<u>\$ 26,104</u>	<u>\$ 1,523</u>	<u>\$ 27,627</u>
Net balance as of September 30, 2024	<u>\$ 51,438</u>	<u>\$ 768</u>	<u>\$ 52,206</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 nine months ended September 30, 2025 and 2024.

(2) Lease liabilities

	September 30, 2025	December 31, 2024	September 30, 2024
Carrying amount of lease liabilities			
Current	<u>\$ 14,904</u>	<u>\$ 27,999</u>	<u>\$ 25,575</u>
Non-current	<u>\$ 18,513</u>	<u>\$ 24,899</u>	<u>\$ 30,390</u>

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

	September 30, 2025	December 31, 2024	September 30, 2024
Buildings	1.85%~5.5%	1.375%~5.5%	1.375%~5.5%
Transportation	1.167%~1.853%	1.167%~1.853%	1.167%~1.853%

(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 September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Expenses related to low-value asset leases	<u>\$ 37</u>	<u>\$ 51</u>	<u>\$ 112</u>	<u>\$ 153</u>
Expenses related to short-term leases	<u>\$ 49</u>	<u>\$ 15</u>	<u>\$ 113</u>	<u>\$ 84</u>
Total cash outflow for leases			<u>\$ 22,061</u>	<u>\$ 21,113</u>

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

	September 30, 2025	December 31, 2024	September 30, 2024
Lease commitment	<u>\$ 1,951</u>	<u>\$ -</u>	<u>\$ -</u>

14. INTANGIBLE ASSETS

	September 30, 2025	December 31, 2024	September 30, 2024
Computer software	<u>\$ 1,729</u>	<u>\$ 1,794</u>	<u>\$ 1,775</u>

	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
<u>Cost</u>		
Beginning balance	\$ 13,114	\$ 22,397
Separate acquisition	996	288
Disposal	(1,208)	-
Reclassification (Note)	581	-
Net exchange difference	(5)	3
Ending balance	<u>\$ 13,478</u>	<u>\$ 22,688</u>
<u>Accumulated amortization and impairments</u>		
Beginning balance	\$ 11,320	\$ 18,356
Amortization expenses	1,642	2,554
Disposal	(1,208)	-
Net exchange difference	(5)	3
Ending balance	<u>\$ 11,749</u>	<u>\$ 20,913</u>
Net ending balance	<u>\$ 1,729</u>	<u>\$ 1,775</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

	September 30, 2025	December 31, 2024	September 30, 2024
Prepayments	\$ 52,763	\$ 43,864	\$ 38,605
Guarantee deposits paid	7,109	6,449	7,295
Prepayment for equipment	<u>2,536</u>	<u>2,242</u>	<u>3,677</u>
	<u><u>\$ 62,408</u></u>	<u><u>\$ 52,555</u></u>	<u><u>\$ 49,577</u></u>
Current	\$ 52,763	\$ 43,864	\$ 38,605
Non-current	<u>9,645</u>	<u>8,691</u>	<u>10,972</u>
	<u><u>\$ 62,408</u></u>	<u><u>\$ 52,555</u></u>	<u><u>\$ 49,577</u></u>

16. SHORT-TERM BORROWINGS

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Unsecured loans</u>			
Line of credit	<u><u>\$ 100,000</u></u>	<u><u>\$ 130,000</u></u>	<u><u>\$ 140,000</u></u>
<u>Secured loans</u>			
Mortgage	<u><u>\$ 50,000</u></u>	<u><u>\$ _____</u></u>	<u><u>\$ _____</u></u>

As of September 30, 2025, December 31, 2024, and September 30, 2024, the interest rate intervals for short-term loans are 1.88% ~ 1.95%, 1.96% ~ 2.00%, 1.94% ~ 2.00%, respectively.

17. ACCOUNTS PAYABLE

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Accounts payable</u>			
Arising from operations	<u>\$ 69,076</u>	<u>\$ 59,225</u>	<u>\$ 65,432</u>

18. OTHER LIABILITIES

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Current</u>			
Other payables			
Processing expense payable	\$ 26,890	\$ 29,264	\$ 32,101
Salaries and bonus payable	21,006	21,454	23,306
Insurance payable	3,772	3,530	3,549
Payables on R&D projects	969	2,573	15,054
Payables on equipment	615	4,446	1,920
Payables on testing	433	4,063	2,034
Others	<u>21,353</u>	<u>27,232</u>	<u>20,444</u>
	<u>\$ 75,038</u>	<u>\$ 92,562</u>	<u>\$ 98,408</u>
Other liabilities			
Contract liabilities (Note 21)	\$ 61,796	\$ 63,271	\$ 59,236
Others	<u>3,413</u>	<u>3,212</u>	<u>3,656</u>
	<u>\$ 65,209</u>	<u>\$ 66,483</u>	<u>\$ 62,892</u>
<u>Non-current</u>			
Other liabilities			
Contractual liabilities (Note 21)	\$ 41,532	\$ 46,028	\$ 44,584
Guarantee deposits received	<u>-</u>	<u>6,458</u>	<u>6,458</u>
	<u>\$ 41,532</u>	<u>\$ 52,486</u>	<u>\$ 51,042</u>

19. POST-EMPLOYMENT BENEFIT PLAN

The pension expenses related to the defined benefit plans recognized for the three months and nine months ended September 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\$144 thousand, NT\$140 thousand, NT\$441 thousand, and NT\$415 thousand, respectively.

20. EQUITY

(1) Ordinary share capital

	September 30, 2025	December 31, 2024	September 30, 2024
Authorized shares (in thousands of shares)	90,000	90,000	90,000
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)	68,489	68,489	68,489
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

	September 30, 2025	December 31, 2024	September 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)	89	89	89
	<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 nine months ended September 30, 2025	For the nine months ended September 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 nine months ended September 30, 2025	For the nine months ended September 30, 2024
Beginning balance	\$ 6,426	\$ 1,313
Origination in the current period		
Exchange differences		
arising from translation of a foreign operation	(3,684)	3,963
Income tax related to exchange differences		
arising from translation of a foreign operation	736	(793)
Ending balance	<u>\$ 3,478</u>	<u>\$ 4,483</u>

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

	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Beginning balance and ending balance	(\$ 2,180)	(\$ 2,180)

21. REVENUE

	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Revenue from contracts with customers				
Sales revenue	\$ 257,439	\$ 313,982	\$ 849,663	\$ 856,486
Service revenue	<u>17,639</u>	<u>16,577</u>	<u>53,280</u>	<u>45,493</u>
	<u>\$ 275,078</u>	<u>\$ 330,559</u>	<u>\$ 902,943</u>	<u>\$ 901,979</u>
(1) Contract balances				
	September 30, 2025	December 31, 2024	September 30, 2024	January 1, 2024
Notes and accounts receivables (Note 9)	<u>\$ 151,410</u>	<u>\$ 189,345</u>	<u>\$ 171,312</u>	<u>\$ 178,583</u>
Contract liabilities – current (Note 18)				
Sale of goods	\$ 20,200	\$ 20,739	\$ 19,351	\$ 14,034
Warranty service	<u>41,596</u>	<u>42,532</u>	<u>39,885</u>	<u>33,803</u>
	<u>61,796</u>	<u>63,271</u>	<u>59,236</u>	<u>47,837</u>
Contract liabilities – non-current (Note 18)				
Warranty service	<u>41,532</u>	<u>46,028</u>	<u>44,584</u>	<u>45,467</u>
	<u>\$ 103,328</u>	<u>\$ 109,299</u>	<u>\$ 103,820</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 September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Bank deposits	\$ 200	\$ 71	\$ 853	\$ 593
Others	<u>20</u>	<u>12</u>	<u>69</u>	<u>60</u>
	<u>\$ 220</u>	<u>\$ 83</u>	<u>\$ 922</u>	<u>\$ 653</u>

(2) Other income

		For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Government Grants		\$ 468	\$ 160	\$ 854	\$ 484
(Note 25)		<u>144</u>	<u>165</u>	<u>389</u>	<u>472</u>
Others		<u><u>\$ 612</u></u>	<u><u>\$ 325</u></u>	<u><u>\$ 1,243</u></u>	<u><u>\$ 956</u></u>

(3) Other gains and losses

		For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Net foreign exchange gain (loss)		\$ 7,331	(\$ 1,444)	(\$ 6,525)	\$ 9,122
Gain (loss) on financial assets measured at fair value through profit or loss		354	(77)	135	(77)
Others		<u>-</u>	<u>-</u>	<u>(20)</u>	<u>(32)</u>
		<u><u>\$ 7,685</u></u>	<u><u>(\$ 1,521)</u></u>	<u><u>(\$ 6,410)</u></u>	<u><u>\$ 9,013</u></u>

(4) Finance costs

		For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Interest on bank loans		\$ 822	\$ 738	\$ 2,386	\$ 1,928
Interest on lease liabilities		<u>347</u>	<u>488</u>	<u>1,180</u>	<u>1,346</u>
		<u><u>\$ 1,169</u></u>	<u><u>\$ 1,226</u></u>	<u><u>\$ 3,566</u></u>	<u><u>\$ 3,274</u></u>

(5) Depreciation and amortization

		For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Property, plant, and equipment		\$ 4,451	\$ 3,951	\$ 13,601	\$ 11,936
Right-of-use assets		6,659	6,784	20,632	19,936
Intangible assets		<u>555</u>	<u>748</u>	<u>1,642</u>	<u>2,554</u>
Total		<u><u>\$ 11,665</u></u>	<u><u>\$ 11,483</u></u>	<u><u>\$ 35,875</u></u>	<u><u>\$ 34,426</u></u>
Depreciation expenses by function					
Operating costs		\$ 4,137	\$ 3,391	\$ 12,307	\$ 9,993
Operating expenses		<u>6,973</u>	<u>7,344</u>	<u>21,926</u>	<u>21,879</u>
		<u><u>\$ 11,110</u></u>	<u><u>\$ 10,735</u></u>	<u><u>\$ 34,233</u></u>	<u><u>\$ 31,872</u></u>
Amortization expenses by function					
Operating costs		\$ 90	\$ 80	\$ 274	\$ 244
Operating expenses		<u>465</u>	<u>668</u>	<u>1,368</u>	<u>2,310</u>
		<u><u>\$ 555</u></u>	<u><u>\$ 748</u></u>	<u><u>\$ 1,642</u></u>	<u><u>\$ 2,554</u></u>

(6) Employee benefit expenses

	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Post-employment benefits				
Defined contribution plan	\$ 3,028	\$ 2,978	\$ 8,984	\$ 8,975
Defined benefit plan (Note 19)	144	140	441	415
	3,172	3,118	9,425	9,390
Other employee benefit	74,896	69,784	223,505	208,319
Total employee benefit	<u>\$ 78,068</u>	<u>\$ 72,902</u>	<u>\$ 232,930</u>	<u>\$ 217,709</u>
Summarized by function				
Operating costs	\$ 12,439	\$ 12,035	\$ 38,163	\$ 37,234
Operating expenses	65,629	60,867	194,767	180,475
	<u>\$ 78,068</u>	<u>\$ 72,902</u>	<u>\$ 232,930</u>	<u>\$ 217,709</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 September 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 September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Total gains on foreign currency exchange	\$ 6,470	\$ 1,822	\$ 15,886	\$ 17,701
Total losses on foreign currency exchange	861	(3,266)	(22,411)	(8,579)
Net Gains (losses)	<u>\$ 7,331</u>	<u>(\$ 1,444)</u>	<u>(\$ 6,525)</u>	<u>\$ 9,122</u>

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 September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Deferred income tax				
In respect of current year	(\$ 3,756)	(\$ 3,722)	(\$ 9,468)	(\$ 10,765)
(2) Income tax recognized in other comprehensive income				
For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024	
<u>Deferred tax</u>				
In respect of the current year				
– Translation of foreign financial statements	\$ 524	(\$ 375)	(\$ 736)	\$ 793

(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:

<u>Net loss for the year</u>	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Net loss used in the calculation of basic loss per share	(\$ 14,721)	(\$ 14,806)	(\$ 37,901)	(\$ 42,941)
<u>Number of shares</u>				
	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 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

25. GOVERNMENT GRANTS

The consolidated company received various government subsidies amounting to NT\$854 thousand and NT\$484 thousand for the periods from January 1 to September 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 nine months ended September 30, 2025 and 2024 as follows:

	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Partial cash payment for property, plant and equipment		
Acquisition of molding equipment and office equipment, etc.	\$ 2,931	\$ 4,755
Changes in payables on purchases of equipment		
(Net)	<u>3,831</u>	<u>2,484</u>
Cash paid	<u>\$ 6,762</u>	<u>\$ 7,239</u>

(2) Changes in liabilities arising from financing activities

For the nine months ended September 30, 2025

	January 1, 2025	Cash flows	Non-cash changes			September 30, 2025
			Additions	Reductions	Exchange effect	
Short-term loans	\$ 130,000	\$ 20,000	\$ -	\$ -	\$ -	\$ 150,000
Lease liabilities	<u>52,898</u>	<u>(20,656)</u>	<u>2,585</u>	<u>-</u>	<u>(1,410)</u>	<u>33,417</u>
	<u><u>\$ 182,898</u></u>	<u><u>(\$ 656)</u></u>	<u><u>\$ 2,585</u></u>	<u><u>\$ -</u></u>	<u><u>(\$ 1,410)</u></u>	<u><u>\$ 183,417</u></u>

For the nine months ended September 30, 2024

	January 1, 2024	Cash flows	Non-cash changes			September 30, 2024
			Additions	Reductions	Exchange effect	
Short-term loans	\$ 80,000	\$ 60,000	\$ -	\$ -	\$ -	\$ 140,000
Long-term loans	3,278	(3,278)	-	-	-	-
Lease liabilities	<u>30,441</u>	<u>(19,530)</u>	<u>44,311</u>	<u>-</u>	<u>743</u>	<u>55,965</u>
	<u><u>\$ 113,719</u></u>	<u><u>(\$ 37,192)</u></u>	<u><u>\$ 44,311</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 743</u></u>	<u><u>\$ 195,965</u></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

September 30, 2025

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Beneficiary certificates of funds	\$ 34,895	\$ -	\$ -	\$ 34,895

December 31, 2024

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

September 30, 2024

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Beneficiary certificates of funds	\$ 9,923	\$ -	\$ -	\$ 9,923

(3) Categories of financial instruments

	September 30, 2025	December 31, 2024	September 30, 2024
<u>Financial assets</u>			
Measured at fair value through profit or loss			
Financial assets			
mandatorily measured at fair value through profit or loss	\$ 34,895	\$ 9,760	\$ 9,923
Financial assets at amortized cost (Note 1)	338,627	327,123	280,596
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	268,349	262,881	283,140

Note 1: Including financial assets measured 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), 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 nine months ended September 30, 2025	For the nine months ended September 30, 2024
	\$ 1,575	\$ 930
Profit (Loss)		

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:

	September 30, 2025	December 31, 2024	September 30, 2024
Fair value interest rate risk			
– Financial liabilities	\$ 133,417	\$ 82,898	\$ 85,965
Cash flow interest rate risk			
– Financial assets	115,411	97,100	66,559
– Financial liabilities	50,000	100,000	110,000

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 September 30, 2025, would decrease/increase by NT\$123 thousand; for the same period in 2024, the pre-tax net loss would increase/decrease by NT\$81 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 nine months ended September 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 fund prices had increased/decreased by 1%, net loss before tax for the nine months ended September 30, 2025 and 2024, would have decreased/increased by \$349 thousand and \$99 thousand, respectively, due to the increase/decrease in the fair value of financial assets at fair value through profit or loss.

The changes in sensitivity to price risk for the nine months ended September 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

<u>September 30, 2025</u>					
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	\$ 75,769	\$ 41,808	\$ 772	\$ -	\$ -
Floating rate instrument	\$ -	\$ 50,161	\$ -	\$ -	\$ -
Fixed rate instrument	\$ -	\$ 100,367	\$ -	\$ -	\$ -
Lease liabilities	\$ 1,998	\$ 4,577	\$ 9,412	\$ 17,318	\$ 3,615

<u>December 31, 2024</u>					
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

<u>September 30, 2024</u>					
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	\$ 92,508	\$ 42,544	\$ 1,630	\$ 6,458	\$ -
Floating rate instrument	\$ 30,040	\$ 80,324	\$ -	\$ -	\$ -
Fixed rate instrument	\$ 30,003	\$ -	\$ -	\$ -	\$ -
Lease liabilities	\$ 2,082	\$ 4,658	\$ 20,409	\$ 26,140	\$ 7,767

(II) Financing facilities

	September 30, 2025	December 31, 2024	September 30, 2024
Amount of short-term bank loans			
- Amount used	\$ 150,000	\$ 130,000	\$ 140,000
- Amount unused	\$ 320,445	\$ 346,393	\$ 431,651
	\$ 470,445	\$ 476,393	\$ 571,651

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 September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Substantive related parties	\$ -	\$ -	\$ 1,330	\$ 1,933

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	September 30, 2025	December 31, 2024	September 30, 2024
Accounts payable	Substantive related parties	\$ -	\$ 104	\$ -

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

(4) Compensation of key management personnel

Short-term employee benefits	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Post-employment benefits	\$ 3,274	\$ 3,149	\$ 11,879	\$ 11,681
	<u>36</u>	<u>36</u>	<u>106</u>	<u>106</u>
	<u>\$ 3,310</u>	<u>\$ 3,185</u>	<u>\$ 11,985</u>	<u>\$ 11,787</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:

	September 30, 2025	December 31, 2024	September 30, 2024
Land	\$ 57,996	\$ 57,996	\$ 57,996
Building	28,314	29,058	29,306
Pledged time deposits (recognized as financial assets at amortized cost)	<u>2,500</u>	<u>1,500</u>	<u>1,500</u>
	<u>\$ 88,810</u>	<u>\$ 88,554</u>	<u>\$ 88,802</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:

	September 30, 2025	December 31, 2024	September 30, 2024
Acquisition of property, plant and equipment	\$ 4,348	\$ 246	\$ 4,836

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:

September 30, 2025

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 7,440	30.445 (USD : NTD)	\$ 226,498
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	2,266	30.445 (USD : NTD)	68,998

December 31, 2024

	Foreign currency	Exchange rate	Carrying amount
<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

September 30, 2024

	Foreign currency	Exchange rate	Carrying amount
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 5,434	31.65 (USD : NTD)	\$ 171,996
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	2,497	31.65 (USD : NTD)	79,016

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

Foreign currency	For the three months ended		For the three months ended	
	September 30, 2025		September 30, 2024	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	29.95 (USD : NTD)	\$ 7,897	32.301 (USD : NTD)	(\$ 1,444)
USD	7.1289 (USD : RMB)	(\$ 566)	7.1150 (USD : RMB)	(\$ 1,444)
		\$ 7,331		

Foreign currency	For the nine months ended September 30, 2025		For the nine months ended September 30, 2024	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	31.222 (USD : NTD)	(\$ 5,959)	32.034 (USD : NTD)	\$ 9,122
USD	7.165 (USD : RMB)	(566)	7.1085 (USD : RMB)	\$ 9,122

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: Table 2;
- 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 3.

(2) Information on investees: Table 4.

(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 5;
- 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 nine months ended September 30, 2025	For the nine months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Direct customer segment	\$ 40,192	\$ 38,425	\$ 3,614	\$ 6,933
Agency segment	612,477	650,179	(41,174)	(25,968)
US sales segment	185,455	177,957	(8,235)	(20,880)
China sales segment	16,591	26,210	(6,716)	(12,189)
Other segments	48,228	9,208	21,484	(1,535)
Total for operation units	<u>\$ 902,943</u>	<u>\$ 901,979</u>	(31,027)	(53,639)
Interest income			922	653
Other incomes			1,243	956
Other gains and losses			(6,410)	9,013
Headquarters' management costs and directors' remuneration			(7,533)	(7,533)
Financial costs			(3,566)	(3,274)
Net loss before tax			(\$ 46,371)	(\$ 53,824)

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

September 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	904,821.80	\$ 9,842	-	\$ 9,842	Note
MPLUS TECHNOLOGY CO., LTD.	<u>Funds</u> Allianz Taiwan Money Market Fund	None	Financial assets measured at fair value through profit or loss	1,895,806.48	25,053	-	25,053	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

Total purchases from or sales to related parties of at least to NT\$100 million or 20% of the paid-in capital

For the nine months ended September 30, 2025

Table 2

Unit: in thousands of NTD

Purchase or sale company	Name of the counterparty	Relationship	Transaction details				Details and reasons for abnormal transactions		Notes/Accounts receivable (payable)		Note
			Purchase (sales)	Amount	Ratio of total purchase (sales)%	Credit line period	Unit price	Credit line period	Balance	Ratio of total notes/accounts receivable (payable)%	
CIPHERLAB CO., LTD.	CIPHERLAB USA, INC.	Subsidiary	(Sales)	(\$ 118,933)	(15)	210 days after monthly closing	\$ -	15~120 days after monthly closing	\$ 43,902	23	Note
CIPHERLAB USA, INC.	CIPHERLAB CO., LTD.	Parent	Purchase	118,933	100	210 days after monthly closing	-	15~120 days after monthly closing	(43,902)	(100)	"

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

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

Table 3

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	\$118,933	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	43,902		
				Unrealized profit of associated companies	22,787		
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	2
				Accounts receivable – related parties	17,045		

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 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 nine months ended September 30, 2025

Table 4

Unit: in thousands of NTD, unless specified otherwise

Investor Company	Investee Company	Location	Main Business and Products	Original Investment Amount		Balance as of September 30, 2025			Net Income/Losses of the Investee	Recognized Investment Income/Losses	Note
				September 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 16,970 (Note 2)	(NTD 16,458)	(NTD 16,458)	Note 1 and 3
	CIPHERLAB LIMITED (SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 13,527 (Note 2)	NTD 440	NTD 440	"
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 37,000	2,751,282	95	NTD 13,576	NTD 19,450	NTD 18,452	"

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 nine months ended September 30, 2025

Table 5

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)	\$ 479	100	\$ 479	\$ 2,082	\$ -	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 September 30, 2025	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 130,384 (USD 4,150)	\$ 130,384 (USD 4,150)	\$ 412,378

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.