

CIPHERLAB CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements and Independent Auditors' Review Report For the Six Months Ended June 30, 2026 and 2025

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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, 2026 and 2025, and the related consolidated statement of comprehensive income for the three months ended June 30, 2026 and 2025, and for the six months ended June 30, 2026 and 2025, 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

Except for the matter described in the Basis for Qualified Conclusion section, 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.

Basis for Qualified Conclusion

As described in Note 12 to the consolidated financial statements, the consolidated company's investments accounted for using the equity method as of June 30, 2026, amounted to NT\$6,379 thousand. For the periods from April 1 to June 30, 2026 and January 1 to June 30, 2026, the shares of profit of associates accounted for using the equity method were NT\$251 thousand and NT\$292 thousand, respectively. In addition, the related information disclosed in Note 36 to the consolidated financial statements was prepared based on the financial statements of the investee associates for the corresponding periods, which were not reviewed by the independent auditors.

Qualified Conclusion

Based on our review, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of investments accounted for using the equity method and the related information disclosed thereof as described in the Basis for Qualified Conclusion section been reviewed by auditors, 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 consolidated company as of June 30, 2026 and 2025, and its consolidated financial performance for the three months ended June 30, 2026 and 2025, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2026 and 2025, 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.

Deloitte & Touche

Accountant Chang, Keng-Hsi

Securities and Futures Administration
Commission R.O.C (Taiwan) Approved
MOF Securities No. 0920123784

Accountant Yu, Meng-Kuei

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

August 5, 2026

CIPHERLAB CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

June 30, 2026, December 31, 2025, and June 30, 2025

In Thousands of New Taiwan Dollars

Code	Assets	June 30, 2026		December 31, 2025		June 30, 2025	
		Amount	%	Amount	%	Amount	%
	Current assets						
1100	Cash (Note 6)	\$ 67,913	6	\$ 101,159	9	\$ 180,492	16
1110	Financial assets at fair value through profit or loss – current (Note 7)	22,193	2	47,008	4	9,541	1
1136	Financial assets at amortized cost (Note 8 & 31)	2,500	-	2,500	-	2,500	-
1150	Notes receivable (Note 9 & 23)	142	-	-	-	-	-
1170	Accounts receivable (Note 9 & 23)	168,924	15	194,823	18	185,024	16
1200	Other receivables (Note 9)	11,470	1	5,911	1	13,652	1
1220	Current tax assets	126	-	175	-	124	-
130X	Inventories (Note 10)	485,694	43	439,219	41	446,405	40
1479	Other current assets (Note 16)	103,246	9	48,395	5	39,358	4
11XX	Total current assets	862,208	76	839,190	78	877,096	78
	Non-current assets						
1550	Investments accounted for using the equity method (Note 4 & 12)	6,379	-	-	-	-	-
1600	Property, plant and equipment (Note 13 & 31)	110,255	10	108,385	10	114,300	10
1755	Right-of-use assets (Note 14)	56,349	5	25,189	3	34,953	3
1780	Other intangible assets (Note 15)	1,099	-	1,497	-	2,064	-
1840	Deferred tax assets	86,652	8	84,846	8	92,038	8
1990	Other non-current assets (Note 16)	11,013	1	13,721	1	8,032	1
15XX	Total non-current assets	271,747	24	233,638	22	251,387	22
1XXX	Total assets	\$ 1,133,955	100	\$ 1,072,828	100	\$ 1,128,483	100
	Liabilities and equity						
	Current liabilities						
2100	Short-term borrowings (Note 17 & 32)	\$ 247,741	22	\$ 168,000	16	\$ 150,000	13
2130	Contract liabilities – current (Note 23)	46,646	4	44,267	4	62,023	6
2150	Notes payable (Note 18)	-	-	43	-	-	-
2170	Accounts payable (Note 18)	50,548	5	43,245	4	36,800	3
2219	Other payables (Note 19)	77,544	7	83,059	8	87,420	8
2250	Provisions (Note 20)	3,378	-	-	-	-	-
2280	Lease liabilities – current (Note 14)	26,568	2	10,072	1	20,058	2
2399	Other current liabilities (Note 19)	4,833	-	3,570	-	3,407	-
21XX	Total current liabilities	457,258	40	352,256	33	359,708	32
	Non-current liabilities						
2527	Contract liabilities – non-current (Note 23)	41,271	4	44,194	4	40,300	4
2570	Deferred tax liabilities	7,029	1	6,828	1	3,931	-
2580	Lease liabilities – non-current (Note 14)	33,686	3	18,955	2	18,560	2
2640	Net defined benefit liability – non-current (Note 4)	4,737	-	4,747	-	6,079	-
25XX	Total non-current liabilities	86,723	8	74,724	7	68,870	6
2XXX	Total liabilities	543,981	48	426,980	40	428,578	38
	Equity attributable to owners of parent company (Note 22)						
3110	Ordinary share capital	684,891	61	684,891	64	684,891	61
3210	Capital surplus	1,151	-	1,151	-	1,151	-
	(Accumulated deficit) Retained earnings						
3310	Legal reserve	-	-	37,124	4	37,124	3
3350	Accumulated deficit	(100,058)	(9)	(80,972)	(8)	(23,180)	(2)
3300	Total (accumulated deficit) retained earnings	(100,058)	(9)	(43,848)	(4)	13,944	1
3400	Other equity						
3410	Exchange differences on translation of foreign financial statements	5,378	-	4,879	-	1,384	-
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	3,198	-	2,699	-	(796)	-
31XX	Total equity interest attributable to owners of parent company	589,182	52	644,893	60	699,190	62
36XX	Non-controlling interest	792	-	955	-	715	-
3XXX	Total equity interest	589,974	52	645,848	60	699,905	62
	Total liabilities and equity	\$ 1,133,955	100	\$ 1,072,828	100	\$ 1,128,483	100

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

(Please refer to the independent auditors' review report issued by Deloitte & Touche on August 5, 2026.)

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, 2026 and 2025

In Thousands of New Taiwan Dollars
Except Losses per Share

Code		For the three months ended June 30, 2026		For the three months ended June 30, 2025		For the six months ended June 30, 2026		For the six months ended June 30, 2025	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenues (Note 23)	\$ 249,991	100	\$ 357,216	100	\$ 513,507	100	\$ 627,865	100
5000	Operating costs (Note 10, 24 & 30)	(157,631)	(63)	(218,015)	(61)	(329,169)	(64)	(374,366)	(60)
5900	Gross profit	<u>92,360</u>	<u>37</u>	<u>139,201</u>	<u>39</u>	<u>184,338</u>	<u>36</u>	<u>253,499</u>	<u>40</u>
	Operating expenses (Note 24)								
6100	Selling expenses	(65,359)	(26)	(80,667)	(22)	(127,148)	(25)	(151,573)	(24)
6200	Administrative expenses	(17,741)	(7)	(16,538)	(5)	(34,351)	(7)	(33,522)	(5)
6300	Research and development expenses	(44,826)	(18)	(38,564)	(11)	(85,544)	(16)	(78,903)	(13)
6450	Impairment gain and reversal of impairment loss determined in accordance with IFRS 9 (Impairment loss) (Note 9)	(365)	(1)	(2,504)	(1)	119	-	(2,255)	-
6000	Total operating expenses	(128,291)	(52)	(138,273)	(39)	(246,924)	(48)	(266,253)	(42)
6900	Net operating profit (loss)	(35,931)	(15)	928	-	(62,586)	(12)	(12,754)	(2)
	Non-operating income and expenses (Note 24)								
7100	Interest income	336	-	521	-	404	-	702	-
7010	Other income (Note 27)	224	-	158	-	4,014	1	631	-
7020	Other gains and losses	156	-	(16,833)	(5)	2,497	1	(14,095)	(2)
7050	Financial costs	(1,689)	-	(1,235)	-	(2,724)	(1)	(2,397)	-
7070	Share of profit (loss) of associates accounted for under the equity method	<u>251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>292</u>	<u>-</u>	<u>-</u>	<u>-</u>
7000	Total non-operating income and expenses	(722)	-	(17,389)	(5)	4,483	1	(15,159)	(2)
7900	Loss before tax	(36,653)	(15)	(16,461)	(5)	(58,103)	(11)	(27,913)	(4)
7950	Income tax benefit (Note 4 & 25)	<u>330</u>	<u>-</u>	<u>3,281</u>	<u>1</u>	<u>1,730</u>	<u>-</u>	<u>5,712</u>	<u>1</u>
8200	Loss for the year	(36,323)	(15)	(13,180)	(4)	(56,373)	(11)	(22,201)	(3)
	Other comprehensive income (Note 22 & 25)								
8360	Items that may be reclassified to profit or loss:								
8361	Exchange differences in translation of financial statements of foreign operations	(369)	-	(7,146)	(2)	624	-	(6,302)	(1)
8399	Income tax related to items that will be reclassified to profit or loss	<u>74</u>	<u>-</u>	<u>1,429</u>	<u>1</u>	(125)	-	<u>1,260</u>	<u>-</u>
8300	Total other comprehensive income (after tax)	(295)	-	(5,717)	(1)	499	-	(5,042)	(1)
8500	Total comprehensive income	(\$ 36,618)	(15)	(\$ 18,897)	(5)	(\$ 55,874)	(11)	(\$ 27,243)	(4)
	Loss attributable to:								
8610	Owners of parent company	(\$ 36,271)	(15)	(\$ 13,594)	(4)	(\$ 56,210)	(11)	(\$ 23,180)	(3)
8620	Non-controlling interests	(52)	-	414	-	(163)	-	979	-
8600		(\$ 36,323)	(15)	(\$ 13,180)	(4)	(\$ 56,373)	(11)	(\$ 22,201)	(3)
	Comprehensive income attributable to:								
8710	Owners of parent company	(\$ 36,566)	(15)	(\$ 19,311)	(5)	(\$ 55,711)	(11)	(\$ 28,222)	(4)
8720	Non-controlling interests	(52)	-	414	-	(163)	-	979	-
8700		(\$ 36,618)	(15)	(\$ 18,897)	(5)	(\$ 55,874)	(11)	(\$ 27,243)	(4)
	Losses per share (Note 26)								
9710	Basic	(\$ 0.53)		(\$ 0.20)		(\$ 0.82)		(\$ 0.34)	

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

(Please refer to the independent auditors' review report issued by Deloitte & Touche on August 5, 2026.)

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, 2026 and 2025

In Thousands of New Taiwan Dollars

		Equities attributable to owners of parent company									
		(Accumulated Deficit) 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, 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 22)										
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>
A1	Balance as of January 1, 2026	\$ 684,891	\$ 1,151	\$ 37,124	\$ -	(\$ 80,972)	\$ 4,879	(\$ 2,180)	\$ 644,893	\$ 955	\$ 645,848
	Covering up losses of 2025 (Note 22)										
B13	Covering up losses by legal reserve	-	-	(37,124)	-	37,124	-	-	-	-	-
D1	Net loss for the six months ended June 30, 2026	-	-	-	-	(56,210)	-	-	(56,210)	(163)	(56,373)
D3	Other comprehensive income for the six months ended June 30, 2026	-	-	-	-	-	499	-	499	-	499
D5	Total comprehensive income for the six months ended June 30, 2026	-	-	-	-	(56,210)	499	-	(55,711)	(163)	(55,874)
Z1	Balance as of June 30, 2026	<u>\$ 684,891</u>	<u>\$ 1,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 100,058)</u>	<u>\$ 5,378</u>	<u>(\$ 2,180)</u>	<u>\$ 589,182</u>	<u>\$ 792</u>	<u>\$ 589,974</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the independent auditors' review report issued by Deloitte & Touche on August 5, 2026.)

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, 2026 and 2025

In Thousands of New Taiwan Dollars

<u>Code</u>		<u>For the six months ended June 30, 2026</u>	<u>For the six months ended June 30, 2025</u>
	Cash flows from operating activities		
A10000	Loss before tax	(\$ 58,103)	(\$ 27,913)
A20010	Adjustments for items of income and expense		
A20100	Depreciation expenses	22,014	23,123
A20200	Amortization expenses	695	1,087
A20300	Expected credit loss (reversal of expected credit loss)	(119)	2,255
A20400	Loss (gain) on financial assets at fair value through profit or loss	(263)	219
A20900	Financial costs	2,724	2,397
A22300	Share of profit of associates accounted for using the equity method	(292)	-
A21200	Interest income	(404)	(702)
A23700	Inventory valuation and obsolescence losses	10,265	9,604
A24100	Unrealized foreign exchange losses	800	2,573
A29900	Provision for liabilities	3,368	-
A29900	Gain on lease modification	(3)	-
A30000	Changes in operating assets and liabilities		
A31115	Financial assets mandatorily measured at fair value through profit or loss	25,078	-
A31130	Notes receivable	(142)	228
A31150	Accounts receivable	25,467	(8,274)
A31180	Other receivables	(5,502)	(7,180)
A31200	Inventories	(56,238)	79,729
A31240	Other current assets	(54,737)	4,287
A32125	Contract liabilities	(955)	(24,966)
A32130	Notes payable	(43)	-
A32150	Accounts payable	7,432	(20,514)
A32180	Other payables	(6,930)	(40)
A32230	Other current liabilities	1,263	20,867
A32240	Net defined benefit liabilities	(10)	(2)
A32990	Other non-current liabilities	<u>-</u>	<u>(5,815)</u>
A33000	Cash generated from (used in) operations	(84,635)	50,963

(Continue)

(Previous)

<u>Code</u>		<u>For the six months ended June 30, 2026</u>	<u>For the six months ended June 30, 2025</u>
A33100	Interest received	\$ 404	\$ 701
A33500	Refund (payment) of income tax	<u>49</u>	<u>5,835</u>
AAAA	Net cash flows used in (generated from) operating activities	(<u>84,182</u>)	<u>57,499</u>
	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	-	(1,000)
B01800	Acquisition of investments accounted for using the equity method	(6,250)	-
B02700	Acquisition of property, plant and equipment	(4,098)	(5,307)
B03700	Increase in refundable deposits	(1,307)	(691)
B04500	Acquisition of intangible assets	(297)	(952)
B07100	Increase in prepayments for equipment	(<u>1,023</u>)	(<u>744</u>)
BBBB	Net cash flows used in investing activities	(<u>12,975</u>)	(<u>8,694</u>)
	Cash flows from financing activities		
C00100	Increase in short-term borrowings	79,741	20,000
C04020	Repayment of lease liabilities	(13,472)	(13,920)
C05600	Interest paid	(<u>2,679</u>)	(<u>2,376</u>)
CCCC	Net cash flows generated from financing activities	<u>63,590</u>	<u>3,704</u>
DDDD	Effect of exchange rate changes on cash	<u>321</u>	(<u>1,707</u>)
EEEE	Net increase (decrease) in cash	(33,246)	50,802
E00100	Cash at beginning of the period	<u>101,159</u>	<u>129,690</u>
E00200	Cash at end of the period	<u>\$ 67,913</u>	<u>\$ 180,492</u>

The accompanying notes are an integral part of the consolidated financial statements.
(Please refer to the independent auditors' review report issued by Deloitte & Touche on August 5, 2026.)

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, 2026 and 2025
(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 5, 2026.

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 Group has assessed that the application of the IFRS Accounting Standards endorsed and issued into effect by the FSC will not have a material impact on the Group's accounting policies.

- (2) IFRS accounting standards applicable for the year 2027 and endorsed by the Financial Supervisory Commission

New/Revised/Amended Standards and Interpretations	Effective Date Issued by IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note 1)
IFRS 19 "Subsidiaries without Public Accountability: Disclosures" (including 2025 amendments)	January 1, 2027
Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"	January 1, 2027
Amendments to IAS 28 "Amendments to Fair Value Option for Investments in Associates and Joint Ventures"	January 1, 2027 (Note 2)

Note 1: Enterprises in the R.O.C. are required to apply IFRS 18 starting from January 1, 2028, with early adoption permitted.

Note 2: Shall apply these amendments concurrently upon the adoption of IFRS 18.

IFRS 18 "Presentation and Disclosure in Financial Statements" and related consequential amendments, and Amendments to IAS 28: Fair Value Option for Investments in Associates and Joint Ventures

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

- The Group shall assess whether it has specified main business activities of investing in specified types of assets and providing financing to customers, so as to classify items of income and expense in the statement of profit or loss into operating, investing, financing, income taxes, and discontinued operations categories.
- The statement of profit or loss shall present subtotals and totals for operating profit or loss, profit or loss before financing and income taxes, and 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."
- Disclosure of management-defined performance measures: When making public communications outside the financial statements and communicating management's view of an aspect of the financial performance of the consolidated company as a whole to users of financial statements, the consolidated company shall disclose information related to management-defined performance measures in a single note to the financial statements, including a description of the measure, how it is calculated, a reconciliation between the measure and the most comparable subtotal or total specified in IFRS Accounting Standards, and the effects of income taxes and non-controlling interests on the relevant reconciliation items.

Upon initial application of IFRS 18, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities (or indirectly through such entities), may change its election to measure investments in associates or joint ventures from the equity method to fair value through profit or loss. The amendments to IAS 28 clarify that such "similar entities" include entities whose main business activity, assessed under IFRS 18, is investing in specified types of assets. If the Group meets these criteria, it may elect to make this change on the date of initial application.

In addition, consequential amendments to IAS 7 "Statement of Cash Flows" include the following:

- When preparing cash flows from operating activities using the indirect method, the Group shall use operating profit or loss as the starting point for reconciliation.
- Interest and dividends received by the Group shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. If the Group is assessed to have specified main business activities, the classification of dividends received, interest received, and interest paid in the statement of cash flows must align with their respective categories of dividend income, interest revenue, and interest expense presented in the statement of profit or loss; provided, however, that each of the aforementioned cash flows may only be classified within a single activity in the statement of cash flows.

The Group does not expect to early adopt IFRS 18 and related consequential amendments.

As of the date the consolidated financial statements were authorized for issue, the Group continues to assess the other impacts of the amendments to relevant standards and interpretations on its financial position and financial performance, and will disclose the related impacts once the assessment is complete.

(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)
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 20 "Regulatory Assets and Regulatory Liabilities"	January 1, 2029

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

As of the date these consolidated financial statements were authorized for issue, the Group continues to assess the impact of amendments to relevant standards and interpretations on its financial position and financial performance, and will disclose the relevant effects 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 2025.

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.

C. Investments in associates

Associates are entities over which the Consolidated Company has significant influence, but which are not subsidiaries or joint ventures.

The Consolidated Company accounts for its investments in associates using the equity method.

Under the equity method, investments in associates are initially recognized at cost. Subsequent to the acquisition date, the carrying amount is adjusted to recognize the Consolidated Company's share of the profit or loss, other comprehensive income, and profit distributions of the associates. In addition, changes in the Consolidated Company's share of the equity of associates are recognized in accordance with its ownership percentage.

Any excess of the cost of acquisition over the Consolidated Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Consolidated Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition at the date of acquisition is recognized in profit or loss for the period.

When testing for impairment, the Consolidated Company treats the entire carrying amount of the investment (including goodwill) as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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 2025.

6. CASH

	June 30, 2026	December 31, 2025	June 30, 2025
Cash on hand & revolving fund	\$ 144	\$ 142	\$ 132
Checking accounts	17,539	20,125	17,210
Demand deposits	<u>50,230</u>	<u>80,892</u>	<u>163,150</u>
	<u>\$ 67,913</u>	<u>\$ 101,159</u>	<u>\$ 180,492</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, 2026	December 31, 2025	June 30, 2025
Bank deposit	0.005%~0.725%	0.005%~0.725%	0.005%~0.95%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Financial assets – current</u>			
Mandatorily measured at fair value through profit or loss			
Non-derivative financial assets			
Beneficiary certificates of funds	<u>\$ 22,193</u>	<u>\$ 47,008</u>	<u>\$ 9,541</u>

8. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2026	December 31, 2025	June 30, 2025
Restricted time deposits	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>

The market interest rates of the aforementioned restricted time deposits as of the balance sheet date were as follows:

	June 30, 2026	December 31, 2025	June 30, 2025
Restricted time deposits	1.685%	1.685%	1.685%

Please refer to Note 31 for the information on financial assets at amortized cost pledged as collateral.

9. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES, AND OTHER RECEIVABLES

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Notes receivable</u>			
Measurement at amortized costs			
Total carrying amount	\$ 142	\$ -	\$ -
Less: loss allowance	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 142</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Accounts receivable</u>			
Measurement at amortized costs			
Total carrying amount	\$ 170,272	\$ 196,279	\$ 188,257
Less: loss allowance	(<u>1,348</u>)	(<u>1,456</u>)	(<u>3,233</u>)
	<u>\$ 168,924</u>	<u>\$ 194,823</u>	<u>\$ 185,024</u>
 <u>Other receivables</u>			
Receivables for outward processing	\$ 5,370	\$ 944	\$ 8,002
Tax refund receivable	5,828	4,844	5,641
Others	<u>272</u>	<u>123</u>	<u>9</u>
	<u>\$ 11,470</u>	<u>\$ 5,911</u>	<u>\$ 13,652</u>

(1) Notes receivable

The Group recognizes an allowance for loss on notes receivable based on lifetime expected credit losses. Lifetime expected credit losses are determined by considering the past default history and current financial status of customers, as well as GDP forecasts. As of June 30, 2026, December 31, 2025, and June 30, 2025, there were no past due notes receivable, and the Group assessed that no allowance for expected credit losses was required for notes receivable.

(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, 2026

		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	0.018%~0.399%	0.102%~5.175%	1.275%~66.667%	5.047%~100%	100%	100%	
Total carrying amount	\$ 146,526	\$ 9,118	\$ 13,934	\$ 22	\$ 348	\$ 324	\$ 170,272
Loss allowance (Lifetime ECL)	(123)	(33)	(519)	(1)	(348)	(324)	(1,348)
Amortized cost	<u>\$ 146,403</u>	<u>\$ 9,085</u>	<u>\$ 13,415</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,924</u>

December 31, 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	0.02%~0.42%	0.10%~5.17%	1.28%~25.23%	5.05%~100%	100%	100%	
Total carrying amount	\$ 169,306	\$ 23,911	\$ 1,808	\$ 296	\$ 473	\$ 485	\$ 196,279
Loss allowance (Lifetime ECL)	(146)	(74)	(24)	(254)	(473)	(485)	(1,456)
Amortized cost	<u>\$ 169,160</u>	<u>\$ 23,837</u>	<u>\$ 1,784</u>	<u>\$ 42</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,823</u>

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>

Changes in loss allowance for accounts receivable are as follows:

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Beginning balance	\$ 1,456	\$ 1,046
Impairment losses recognized (reversed)	(119)	2,255
Exchange difference in foreign currencies	11	(68)
Ending balance	<u>\$ 1,348</u>	<u>\$ 3,233</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, 2026, December 31, 2025, and June 30, 2025, the Group assessed that no allowance for expected credit losses was required for other receivables.

10. INVENTORY

	June 30, 2026	December 31, 2025	June 30, 2025
Finished goods	\$ 22,437	\$ 19,486	\$ 13,160
Work in process	14,368	6,331	16,147
Raw materials	408,261	380,757	386,182
Merchandise	<u>40,628</u>	<u>32,645</u>	<u>30,916</u>
	<u>\$ 485,694</u>	<u>\$ 439,219</u>	<u>\$ 446,405</u>

The nature of cost of goods sold is as follows:

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Cost of inventories sold	\$ 144,368	\$ 209,633	\$ 305,431	\$ 364,018
Inventory write-down and obsolescence loss (including scrap loss)	<u>7,514</u>	<u>7,997</u>	<u>10,265</u>	<u>9,604</u>
	<u>\$ 151,882</u>	<u>\$ 217,630</u>	<u>\$ 315,696</u>	<u>\$ 373,622</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, 2026	December 31, 2025	June 30, 2025	
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 ELECTRONICS TRADING (SHANGHAI) CO., LTD. (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. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	June 30, 2026	December 31, 2025	June 30, 2025
Individually immaterial associates	\$ 6,379	\$ -	\$ -

In January 2026, the Consolidated Company acquired 60 common shares of CRESSON INC. from a non-related party for JPY 31,050 thousand (equivalent to NT\$6,250 thousand), representing a 30% ownership interest. The primary business of CRESSON INC. is the development and sale of electronic products.

Investments accounted for using the equity method and the Consolidated Company's share of profit or loss of the investee companies were calculated based on the investees' financial statements, which were not reviewed by the independent auditors. However, the management of the Consolidated Company believes that the absence of such reviews would not have a material effect on the consolidated financial statements.

13. 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, 2026	\$ 57,996	\$ 55,493	\$ 14,603	\$261,399	\$ 1,351	\$ 85,906	\$ 230	\$476,978
Addition	-	-	-	5,071	-	274	-	5,345
Disposal	-	-	(56)	(1,640)	-	(388)	-	(2,084)
Reclassification (Note)	-	-	-	5,044	-	-	-	5,044
Net exchange difference	-	-	-	-	18	17	9	44
Balance as of June 30, 2026	\$ 57,996	\$ 55,493	\$ 14,547	\$269,874	\$ 1,369	\$ 85,809	\$ 239	\$485,327
<u>Accumulated depreciation</u>								
Balance as of January 1, 2026	\$ -	\$ 27,426	\$ 14,219	\$246,816	\$ 1,351	\$ 78,578	\$ 203	\$368,593
Depreciation expense	-	497	54	6,661	-	1,306	4	8,522
Disposal	-	-	(56)	(1,640)	-	(388)	-	(2,084)
Net exchange difference	-	-	-	-	18	15	8	41
Balance as of June 30, 2026	\$ -	\$ 27,923	\$ 14,217	\$251,837	\$ 1,369	\$ 79,511	\$ 215	\$375,072
Net balance as of June 30, 2026	\$ 57,996	\$ 27,570	\$ 330	\$ 18,037	\$ -	\$ 6,298	\$ 24	\$110,255
Net amount as of December 31, 2025 and January 1, 2026	\$ 57,996	\$ 28,067	\$ 384	\$ 14,583	\$ -	\$ 7,328	\$ 27	\$108,385

	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	-	-	-	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 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>

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	1 to 5 years
Transportation	5 years
Income-generating equipment	2 to 6 years
Other equipment	3 to 5 years

For the six months ended June 30, 2026 and 2025, no impairment losses were recognized or reversed.

For property, plant and equipment pledged as collateral for borrowings by the Group, please refer to Note 31.

14. LEASE ARRANGEMENT

(1) Right-of-use assets

	Buildings	Transportation	Total
<u>Cost</u>			
Balance as of January 1, 2026	\$ 76,726	\$ 4,542	\$ 81,268
Addition	45,055	-	45,055
Reduction	(44,368)	-	(44,368)
Net exchange difference	<u>414</u>	<u>-</u>	<u>414</u>
Balance as of June 30, 2026	<u>\$ 77,827</u>	<u>\$ 4,542</u>	<u>\$ 82,369</u>

	Buildings	Transportation	Total
<u>Accumulated depreciation</u>			
Balance as of January 1, 2026	\$ 55,318	\$ 761	\$ 56,079
Depreciation expense	12,926	566	13,492
Reduction	(43,780)	-	(43,780)
Net exchange difference	<u>229</u>	<u>-</u>	<u>229</u>
Balance as of June 30, 2026	<u>\$ 24,693</u>	<u>\$ 1,327</u>	<u>\$ 26,020</u>
Net balance as of June 30, 2026	<u>\$ 53,134</u>	<u>\$ 3,215</u>	<u>\$ 56,349</u>
Net amount as of December 31, 2025 and January 1, 2026	<u>\$ 21,408</u>	<u>\$ 3,781</u>	<u>\$ 25,189</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	(<u>3,421</u>)	<u>-</u>	(<u>3,421</u>)
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	(<u>1,620</u>)	<u>-</u>	(<u>1,620</u>)
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>

Except for the additions, disposals, and depreciation expenses recognized above, there were no significant subleases or impairments of right-of-use assets for the six months ended June 30, 2026 and 2025.

(2) Lease liabilities

	June 30, 2026	December 31, 2025	June 30, 2025
Carrying amount of lease liabilities			
Current	<u>\$ 26,568</u>	<u>\$ 10,072</u>	<u>\$ 20,058</u>
Non-current	<u>\$ 33,686</u>	<u>\$ 18,955</u>	<u>\$ 18,560</u>

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

	June 30, 2026	December 31, 2025	June 30, 2025
Buildings	1.884%~5.500%	1.850%~5.500%	1.375%~5.500%
Transportation	1.853%~1.890%	1.853%~1.890%	1.167%~1.853%

(3) Significant lease activities and terms

The consolidated company leases certain buildings and transportation equipment with lease terms of 2 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, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Expenses related to low-value asset leases	(\$ 38)	(\$ 23)	(\$ 75)	(\$ 75)
Expenses related to short-term leases	(\$ 17)	(\$ 44)	(\$ 42)	(\$ 64)
Total cash outflow for leases			(\$ 14,356)	(\$ 14,892)

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

	June 30, 2026	December 31, 2025	June 30, 2025
Lease commitment	\$ -	\$ 800	\$ 792

15. INTANGIBLE ASSETS

	June 30, 2026	December 31, 2025	June 30, 2025
Computer software	\$ 1,099	\$ 1,497	\$ 2,064

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
<u>Cost</u>		
Beginning balance	\$ 11,939	\$ 13,114
Separate acquisition	297	952
Disposal	(478)	(746)
Reclassification (Note)	-	405
Net exchange difference	-	(9)
Ending balance	\$ 11,758	\$ 13,716

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
<u>Accumulated amortization and impairments</u>		
Beginning balance	\$ 10,442	\$ 11,320
Amortization expenses	695	1,087
Disposal	(478)	(746)
Net exchange difference	<u>-</u>	<u>(9)</u>
Ending balance	<u>\$ 10,659</u>	<u>\$ 11,652</u>
Net ending balance	<u>\$ 1,099</u>	<u>\$ 2,064</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.

16. OTHER ASSETS

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Current</u>			
Prepayments	\$ 102,371	\$ 48,395	\$ 39,358
Right to returned goods	<u>875</u>	<u>-</u>	<u>-</u>
	<u>\$ 103,246</u>	<u>\$ 48,395</u>	<u>\$ 39,358</u>
<u>Non-current</u>			
Refundable deposits	8,420	\$ 7,107	\$ 7,093
Prepayments for equipment	<u>2,593</u>	<u>6,614</u>	<u>939</u>
	<u>\$ 11,013</u>	<u>\$ 13,721</u>	<u>\$ 8,032</u>

17. BORROWINGS

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Unsecured loans</u>			
Line of credit	<u>\$ 148,000</u>	<u>\$ 118,000</u>	<u>\$ 100,000</u>
<u>Secured loans (Note 31)</u>			
Mortgage	<u>\$ 99,741</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>

The interest rate ranges for short-term borrowings as of June 30, 2026, December 31, 2025, and June 30, 2025 were 1.88%–2.00%, 1.88%–1.95%, and 1.88%–1.96%, respectively.

18. NOTES AND ACCOUNTS PAYABLE

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Notes Payable</u>			
Arising from operations	\$ -	\$ 43	\$ -
<u>Accounts payable</u>			
Arising from operations	\$ 50,548	\$ 43,245	\$ 36,800

Accounts payable are primarily for the payment of purchases. The consolidated company has financial risk management policies in place to ensure that all payables are repaid within the pre-agreed credit terms.

19. OTHER LIABILITIES

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Current</u>			
Other payables			
Processing expense payable	\$ 24,232	\$ 23,593	\$ 38,202
Salaries and bonus payable	17,259	22,864	20,894
Insurance payable	3,211	3,688	3,582
Payables on equipment	2,222	975	663
Payables on testing	2,368	4,532	655
Others	28,252	27,407	23,424
	<u>\$ 77,544</u>	<u>\$ 83,059</u>	<u>\$ 87,420</u>
Other liabilities			
Refund liabilities	\$ 1,514	\$ -	\$ -
Others	3,319	3,570	3,407
	<u>\$ 4,833</u>	<u>\$ 3,570</u>	<u>\$ 3,407</u>

20. PROVISIONS

	June 30, 2026	December 31, 2025	June 30, 2025
Product warranty	\$ 3,378	\$ -	\$ -

The provision for warranties is the present value of management's best estimate of the future outflow of economic benefits that will be required to settle warranty obligations under sales contracts. This estimate is based on historical warranty experience.

21. POST-EMPLOYMENT BENEFIT PLAN

For the three months and six months ended June 30, 2026 and 2025, pension costs of defined benefit plans were calculated using the actuarially determined pension cost rates as of December 31, 2025 and 2024, amounting to NT\$130 thousand, NT\$147 thousand, NT\$272 thousand, and NT\$297 thousand, respectively.

22. EQUITY

(1) Ordinary share capital

	June 30, 2026	December 31, 2025	June 30, 2025
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.

On May 13, 2026, the Board of Directors approved a cash capital increase by issuing 11,000 thousand ordinary shares at a par value of NT\$10 per share, totaling NT\$110,000 thousand, with a tentative issuance price of NT\$13 per share. The capital increase is pending regulatory effective registration.

(2) Capital surplus

	June 30, 2026	December 31, 2025	June 30, 2025
<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 24-7.

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 2025 was approved at the Annual General Meeting of Shareholders held on June 16, 2026. The accumulated deficit was offset by a transfer of statutory surplus reserve amounting to NT\$37,124 thousand. Similarly, 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.

(4) Special reserve

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Beginning balance	\$ -	\$ 867
Reversal of special reserve		
Reversal of deductions to other equity	<u>-</u>	(<u>867</u>)
Ending balance	<u>\$ -</u>	<u>\$ -</u>

(5) Other equity

A. Exchange differences on translation of foreign financial statements

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Beginning balance	\$ 4,879	\$ 6,426
Origination in the current period		
Exchange differences arising from translation of a foreign operation	624	(6,302)
Income tax related to exchange differences arising from translation of a foreign operation	(125)	1,260
Ending balance	<u>\$ 5,378</u>	<u>\$ 1,384</u>

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

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Beginning balance and ending balance	(\$ 2,180)	(\$ 2,180)

23. REVENUE

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Revenue from contracts with customers				
Sales revenue	\$ 232,053	\$ 338,948	\$ 477,709	\$ 592,224
Service revenue	<u>17,938</u>	<u>18,268</u>	<u>35,798</u>	<u>35,641</u>
	<u>\$249,991</u>	<u>\$357,216</u>	<u>\$513,507</u>	<u>\$627,865</u>

(1) Contract balances

	June 30, 2026	December 31, 2025	June 30, 2025	January 1, 2025
Notes and accounts receivables (Note 9)	<u>\$ 169,066</u>	<u>\$ 194,823</u>	<u>\$ 185,024</u>	<u>\$ 189,345</u>
Contract liabilities – current				
Sale of goods	\$ 2,188	\$ 996	\$ 21,252	\$ 20,739
Warranty service	<u>44,458</u>	<u>43,271</u>	<u>40,771</u>	<u>42,532</u>
	46,646	44,267	62,023	63,271
Contract liabilities – non-current				
Warranty service	<u>41,271</u>	<u>44,194</u>	<u>40,300</u>	<u>46,028</u>
	<u>\$ 87,917</u>	<u>\$ 88,461</u>	<u>\$ 102,323</u>	<u>\$ 109,299</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 37 for information regarding disaggregation of revenue.

24. NET LOSS

(1) Interest income

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Bank deposits	\$ 316	\$ 501	\$ 355	\$ 653
Others	<u>20</u>	<u>20</u>	<u>49</u>	<u>49</u>
	<u>\$ 336</u>	<u>\$ 521</u>	<u>\$ 404</u>	<u>\$ 702</u>

(2) Other income

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Government Grants (Note 27)	\$ 114	\$ 48	\$ 3,776	\$ 386
Others	<u>110</u>	<u>110</u>	<u>238</u>	<u>245</u>
	<u>\$ 224</u>	<u>\$ 158</u>	<u>\$ 4,014</u>	<u>\$ 631</u>

(3) Other gains and losses

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Net foreign exchange (loss) gain	(\$ 7)	(\$ 16,364)	\$ 2,234	(\$ 13,856)
Gain on lease modification	3	-	3	-
Gain (loss) on financial assets measured at fair value through profit or loss	160	(469)	263	(219)
Others	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(20)</u>
	<u>\$ 156</u>	<u>(\$ 16,833)</u>	<u>\$ 2,497</u>	<u>(\$ 14,095)</u>

(4) Financial costs

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Interest on bank loans	\$ 1,221	\$ 839	\$ 1,957	\$ 1,564
Interest on lease liabilities	<u>468</u>	<u>396</u>	<u>767</u>	<u>833</u>
	<u>\$ 1,689</u>	<u>\$ 1,235</u>	<u>\$ 2,724</u>	<u>\$ 2,397</u>

(5) Depreciation and amortization

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Property, plant, and equipment	\$ 4,342	\$ 4,661	\$ 8,522	\$ 9,150
Right-of-use assets	6,836	7,167	13,492	13,973
Intangible assets	<u>323</u>	<u>586</u>	<u>695</u>	<u>1,087</u>
Total	<u>\$ 11,501</u>	<u>\$ 12,414</u>	<u>\$ 22,709</u>	<u>\$ 24,210</u>

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Depreciation expenses by function				
Operating costs	\$ 4,283	\$ 4,218	\$ 8,276	\$ 8,170
Operating expenses	<u>6,895</u>	<u>7,610</u>	<u>13,738</u>	<u>14,953</u>
	<u>\$ 11,178</u>	<u>\$ 11,828</u>	<u>\$ 22,014</u>	<u>\$ 23,123</u>
Amortization expenses by function				
Operating costs	\$ 43	\$ 99	\$ 95	\$ 184
Operating expenses	<u>280</u>	<u>487</u>	<u>600</u>	<u>903</u>
	<u>\$ 323</u>	<u>\$ 586</u>	<u>\$ 695</u>	<u>\$ 1,087</u>

(6) Employee benefit expenses

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Post-employment benefits				
Defined contribution plan	\$ 2,746	\$ 2,961	\$ 5,691	\$ 5,956
Defined benefit plan (Note 21)	<u>130</u>	<u>147</u>	<u>272</u>	<u>297</u>
	2,876	3,108	5,963	6,253
Other employee benefit	<u>69,262</u>	<u>74,116</u>	<u>139,801</u>	<u>148,609</u>
Total employee benefit	<u>\$ 72,138</u>	<u>\$ 77,224</u>	<u>\$ 145,764</u>	<u>\$ 154,862</u>
Summarized by function				
Operating costs	\$ 16,282	\$ 12,775	\$ 30,558	\$ 25,724
Operating expenses	<u>55,856</u>	<u>64,449</u>	<u>115,206</u>	<u>129,138</u>
	<u>\$ 72,138</u>	<u>\$ 77,224</u>	<u>\$ 145,764</u>	<u>\$ 154,862</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 2026 and 2025, 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 2025 and 2024, 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 2025 and 2024 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2025 and 2024.

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, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Total gains on foreign currency exchange	\$ 1,618	\$ 5,227	\$ 5,851	\$ 9,416
Total losses on foreign currency exchange	(<u>1,625</u>)	(<u>21,591</u>)	(<u>3,617</u>)	(<u>23,272</u>)
Net Gains (losses)	(<u>\$ 7</u>)	(<u>\$ 16,364</u>)	<u>\$ 2,234</u>	(<u>\$ 13,856</u>)

25. 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, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Deferred income tax In respect of current year	(<u>\$ 330</u>)	(<u>\$ 3,281</u>)	(<u>\$ 1,730</u>)	(<u>\$ 5,712</u>)

(2) Income tax recognized in other comprehensive income

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
<u>Deferred tax</u> In respect of the current year				
— Translation of foreign financial statements	(<u>\$ 74</u>)	(<u>\$ 1,429</u>)	<u>\$ 125</u>	(<u>\$ 1,260</u>)

(3) Income tax assessments

The tax authorities have assessed the income tax returns of the Company and its subsidiary, MPLUS TECHNOLOGY, through 2024.

26. 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, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Net loss used in the calculation of basic loss per share	(\$ 36,271)	(\$ 13,594)	(\$ 56,210)	(\$ 23,180)

Number of shares

	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Weighted average number of ordinary shares used in the calculation of basic loss per share	<u>68,489</u>	<u>68,489</u>	<u>68,489</u>	<u>68,489</u>

Units: Thousands of Shares

27. GOVERNMENT GRANTS

- (1) For the six months ended June 30, 2026 and 2025, the government grants received by the Consolidated Company for various expense subsidies amounted to NT\$406 thousand and NT\$386 thousand, respectively, which were recognized under other income.
- (2) The Consolidated Company's application for the "Mobile Device Edge AI Visual Recognition (Pic'n Fill) and Intelligent Cloud Application Generator Solution Development and International Promotion Project" under the Administration for Digital Industries, Ministry of Digital Affairs was approved on November 24, 2025, with a total approved grant of NT\$10,049 thousand. As of June 30, 2026, the cumulative government grants received and the cumulative grant income recognized both amounted to NT\$5,120 thousand. For the six months ended June 30, 2026, the grant income recognized was NT\$3,370 thousand (recognized under other income).

28. 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, 2026 and 2025 as follows:

	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Partial cash payment for real property, plant and equipment		
Purchase of property and equipment, including molds and machinery	\$ 5,345	\$ 1,524
Changes in payables on purchases of equipment (Net)	(1,247)	3,783
Cash paid	<u>\$ 4,098</u>	<u>\$ 5,307</u>

(2) Changes in liabilities arising from financing activities

For the six months ended June 30, 2026

	January 1, 2026	Cash flows	Non-cash changes				Others	June 30, 2026
			Additions	Decreases	Amortization of interest	Exchange effect		
Short-term borrowings	\$ 168,000	\$ 79,741	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 247,741
Lease liabilities	<u>29,027</u>	<u>(13,472)</u>	<u>45,055</u>	<u>(591)</u>	<u>767</u>	<u>235</u>	<u>(767)</u>	<u>60,254</u>
	<u>\$ 197,027</u>	<u>\$ 66,269</u>	<u>\$ 45,055</u>	<u>(\$ 591)</u>	<u>\$ 767</u>	<u>\$ 235</u>	<u>(\$ 767)</u>	<u>\$ 307,995</u>

For the six months ended June 30, 2025

	January 1, 2025	Cash flows	Non-cash changes				Others	June 30, 2025
			Additions	Decreases	Amortization of interest expense	Exchange effect		
Short-term borrowings	\$ 130,000	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Lease liabilities	<u>52,898</u>	<u>(13,920)</u>	<u>1,810</u>	<u>833</u>	<u>(2,170)</u>	<u>(833)</u>	<u>(833)</u>	<u>38,618</u>
	<u>\$ 182,898</u>	<u>\$ 6,080</u>	<u>\$ 1,810</u>	<u>\$ 833</u>	<u>(\$ 2,170)</u>	<u>(\$ 833)</u>	<u>(\$ 833)</u>	<u>\$ 188,618</u>

29. 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, 2026

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Beneficiary certificates of funds	<u>\$ 22,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,193</u>

December 31, 2025

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit or loss</u>				
Beneficiary certificates of funds	<u>\$ 47,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,008</u>

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>

There were no transfers between Level 1 and Level 2 fair value measurements for the six months ended June 30, 2026 and 2025.

(3) Categories of financial instruments

	June 30, 2026	December 31, 2025	June 30, 2025
<u>Financial assets</u>			
Measured at fair value through profit or loss			
Financial assets			
mandatorily measured at fair value through profit or loss	\$ 22,193	\$ 47,008	\$ 9,541
Financial assets at amortized cost (Note 1)	253,541	306,656	383,120
<u>Financial liabilities</u>			
Measured at amortized cost (Note 2)	355,057	266,484	249,384

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: The balances comprise financial liabilities measured at amortized cost, including short-term borrowings, notes payable, accounts payable, and other payables (excluding salaries and bonuses payable, employee benefits payable, business tax payable, and insurance payable).

(4) Financial risk management objectives and policies

The Consolidated Company's major financial instruments include investments in beneficiary certificates, borrowings, receivables, payables, and lease liabilities. Financial risks related to operations arising from the aforementioned financial instruments include market risk (comprising currency risk, interest rate risk, and other price risk), credit risk, and liquidity risk.

A. Market risk

The Consolidated Company's operating activities expose it primarily to the financial risks of changes in foreign currency exchange rates, changes in interest rates, and other price risks.

There have been no changes to the Consolidated Company's exposure to market risks of financial instruments, nor to the manner in which such risks are managed and measured.

(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 35.

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, 2026	For the six months ended June 30, 2025
Profit (Loss)	\$ 1,322	\$ 1,751

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 Consolidated Company's sensitivity to foreign exchange rates decreased for the six months ended June 30, 2026, which was mainly attributable to the decrease in foreign currency net 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, 2026	December 31, 2025	June 30, 2025
Fair value interest rate risk			
— Financial liabilities	\$ 227,995	\$ 117,027	\$ 138,618
Cash flow interest rate risk			
— Financial assets	52,730	83,392	165,650
— Financial liabilities	80,000	80,000	50,000

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating-rate assets and liabilities, the analysis was prepared assuming the amount of each asset and liability outstanding at the end of the reporting period was outstanding throughout the reporting period. The rate of change used when reporting interest rates internally to key management personnel in the consolidated company is a 25-basis point increase or decrease per annum, which also represents management's assessment of the reasonably possible change in interest rates.

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, 2026, would increase/decrease by NT\$34 thousand; for the same period in 2025, the pre-tax net loss would decrease/increase by NT\$145 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 decrease in the absolute value of net financial assets and liabilities 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, 2026 and 2025 would have decreased/increased by NT\$222 thousand and NT\$95 thousand, respectively, 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, 2026 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's policy is to deal only with creditworthy counterparties and, where appropriate, obtain sufficient collateral to mitigate the risk of financial loss from defaults.

The consolidated company's credit risk is concentrated primarily on the top five customers. As of June 30, 2026, December 31, 2025, and June 30, 2025, accounts receivable from these customers accounted for 42%, 29%, and 42% of total accounts receivable, respectively.

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

The maturity analysis of the remaining contractual maturities for non-derivative financial liabilities is prepared based on the undiscounted cash flows of financial liabilities (including principal and estimated interest) from the earliest date on which the consolidated company can be required to pay. Consequently, bank loans that the consolidated company can be required to repay immediately are included in the earliest time band in the table below, without considering the probability of the banks exercising their immediate repayment rights; maturity analyses for other non-derivative financial liabilities are prepared in accordance with the agreed repayment dates.

June 30, 2026

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					
ring liabilities	\$ 69,214	\$ 37,910	\$ 192	\$ -	\$ -
Floating rate instrument	\$ -	\$ -	\$ 80,577	\$ -	\$ -
Fixed rate instrument	\$ 117,846	\$ 50,141	\$ -	\$ -	\$ -
Lease liabilities	\$ 2,074	\$ 4,763	\$ 21,226	\$ 34,988	\$ 688

December 31, 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					
ring liabilities	\$ 73,240	\$ 25,241	\$ 3	\$ -	\$ -
Floating rate instrument	\$ -	\$ -	\$ 81,351	\$ -	\$ -
Fixed rate instrument	\$ -	\$ 88,306	\$ -	\$ -	\$ -
Lease liabilities	\$ 2,013	\$ 4,625	\$ 4,488	\$ 18,520	\$ 2,714

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					
ring 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

(II) Financing facilities

	June 30, 2026	December 31, 2025	June 30, 2025
Unsecured short-term bank borrowings			
— Amount used	\$ 158,049	\$ 128,049	\$ 100,000
— Amount unused	184,060	160,381	286,300
	<u>\$ 342,109</u>	<u>\$ 288,430</u>	<u>\$ 386,300</u>
Secured short-term bank borrowings			
— Amount used	\$ 99,741	\$ 50,000	\$ 50,000
— Amount unused	60,000	83,000	83,000
	<u>\$ 159,741</u>	<u>\$ 133,000</u>	<u>\$ 133,000</u>

30. 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

<u>Related Party Name</u>	<u>Relationship with the Company</u>
AtechOEM Inc.	Substantive Related Parties; became non-related party since June 24, 2025

(2) Operating transactions

<u>Related party category</u>	<u>For the three months ended June 30, 2026</u>	<u>For the three months ended June 30, 2025</u>	<u>For the six months ended June 30, 2026</u>	<u>For the six months ended June 30, 2025</u>
Substantive related parties	\$ -	\$ 463	\$ -	\$ 1,330

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) Compensation of key management personnel

	<u>For the three months ended June 30, 2026</u>	<u>For the three months ended June 30, 2025</u>	<u>For the six months ended June 30, 2026</u>	<u>For the six months ended June 30, 2025</u>
Short-term employee benefits	\$ 4,083	\$ 4,238	\$ 8,125	\$ 8,605
Post-employment benefits	26	35	61	70
	<u>\$ 4,109</u>	<u>\$ 4,273</u>	<u>\$ 8,186</u>	<u>\$ 8,675</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.

31. 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:

	<u>June 30, 2026</u>	<u>December 31, 2025</u>	<u>June 30, 2025</u>
Land	\$ 57,996	\$ 57,996	\$ 57,996
Building	27,570	28,067	28,561
Restricted time deposits (classified as financial assets measured at amortized cost)	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
	<u>\$ 88,066</u>	<u>\$ 88,563</u>	<u>\$ 89,057</u>

32. 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:

(1) The Consolidated Company's unrecognized contractual commitments were as follows:

	<u>June 30, 2026</u>	<u>December 31, 2025</u>	<u>June 30, 2025</u>
Acquisition of property, plant and equipment	<u>\$ 4,959</u>	<u>\$ 4,605</u>	<u>\$ 4,631</u>

(2) In December 2025, in connection with its application for the "Mobile Device Edge AI Visual Recognition (Pic'n Fill) and Intelligent Cloud Application Generator Solution Development and International Promotion Project" under the Administration for Digital Industries, Ministry of Digital Affairs, the Consolidated Company applied to a financial institution for the issuance of a performance guarantee totaling NT\$10,049 thousand in accordance with the relevant contractual terms.

33. SIGNIFICANT SUBSEQUENT EVENTS: None.

34. OTHER MATTERS

On May 12, 2026, the Taipei City Department of the Investigation Bureau, Ministry of Justice, conducted a search at the Company regarding specific employees. The investigation does not involve the Company, and the Company has fully cooperated with the relevant investigative procedures. As of the date this consolidated financial report was approved and authorized for issue, management assesses that the aforementioned matter has no material impact on the Company's financial position and business operations.

35. 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, 2026

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 6,008	31.85 (USD : NTD)	\$ 191,364
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	1,856	31.85 (USD : NTD)	59,120

December 31, 2025

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Foreign currency financial assets</u>			
<u>Monetary item</u>			
USD	\$ 5,234	31.43 (USD : NTD)	\$ 164,498
<u>Foreign currency financial liabilities</u>			
<u>Monetary item</u>			
USD	1,967	31.43 (USD : NTD)	61,833

June 30, 2025

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<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

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

Foreign currency	For the three months ended June 30, 2026		For the three months ended June 30, 2025	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	31.597 (USD : NTD)	<u>(\$ 7)</u>	30.823 (USD : NTD)	<u>(\$ 16,364)</u>
Foreign currency	For the six months ended June 30, 2026		For the six months ended June 30, 2025	
	Exchange rate	Net exchange gain (loss)	Exchange rate	Net exchange gain (loss)
USD	31.614 (USD : NTD)	<u>\$ 2,236</u>	31.859 (USD : NTD)	<u>(\$ 13,856)</u>

36. 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 amounting to at least 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: Business relationships and significant transactions between the parent company and its subsidiaries and among subsidiaries, and the related amounts: 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: Table 2.;
 - (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.

37. 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:

The chief operating decision-maker regards each direct sales unit as a separate operating segment. However, when preparing the financial statements, the consolidated company considers the following factors to aggregate these operating segments into a single operating segment:

- A. The nature of the products and manufacturing processes is similar;
- B. Product pricing strategies and sales models are similar.

(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, 2026	For the six months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Direct customer segment	\$ -	\$ 40,192	\$ -	\$ 5,701
Agency segment	392,867	404,447	(38,042)	(23,619)
US sales segment	106,823	125,499	(11,569)	(7,315)
China sales segment	12,365	10,561	(3,097)	(3,855)
Other segments	<u>1,452</u>	<u>47,166</u>	(<u>4,345</u>)	<u>21,986</u>
Total for operation units	<u>\$ 513,507</u>	<u>\$ 627,865</u>	(57,053)	(7,102)
Headquarters' management costs and directors' remuneration			(5,533)	(5,652)
Interest income			404	702
Other incomes			4,014	631
Other gains and losses			2,497	(14,095)
Share of profit or loss of associates accounted for using the equity method			292	-
Financial costs			(<u>2,724</u>)	(<u>2,397</u>)
Net loss before tax			(<u>\$ 58,103</u>)	(<u>\$ 27,913</u>)

Segment profits refer to the earnings by each division, excluding the apportionment of headquarters' administrative costs and directors' remuneration, interest income, other income, other gains and losses, financial costs, share of profits of associates accounted for using the equity method, and income tax expense. This measurement amount is provided to the chief operating decision-maker to allocate resources to divisions and evaluate their 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
Significant marketable securities held at the end of the period
June 30, 2026

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	
MPLUS TECHNOLOGY CO., LTD.	<u>Funds</u> Allianz Global Investors Taiwan Money Market Fund	None	Financial assets measured at fair value through profit or loss	769,971.00	\$ 10,288	-	\$ 10,288	Note
CIPHERLAB LIMITED (SAMOA)	<u>Funds</u> Allianz Global Investors Fund - Allianz Global Floating Rate Notes Plus AT (USD)	None	Financial assets measured at fair value through profit or loss	29,023.47	11,905	-	11,905	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, 2026

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	\$ 74,404	The payment period is 210 days after monthly closing, and the price is not significantly different from that of general sales	14
				Accounts receivable – related parties	39,184		3
				Unrealized profit of associated companies	24,902		5
0	CIPHERLAB CO., LTD.	CIPHERLAB ELECTRONICS TRADING (SHANGHAI) CO., LTD.	Parent company to subsidiary	Selling expenses	3,374		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 the sales of electronic products; and MPLUS TECHNOLOGY is primarily engaged in the 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, 2026

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, 2026			Net Income/Losses of the Investee	Recognized Investment Income/Losses	Note
				June 30, 2026	December 31, 2025	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 15,600 (Note 2)	(NTD 2,302)	(NTD 2,302)	Note 1 and 3
	CIPHERLAB LIMITED (SAMOA)	Samoa	Investment holding	USD 4,150	USD 4,150	4,150,000	100	NTD 14,667 (Note 2)	NTD 1,647	NTD 1,647	"
	MPLUS TECHNOLOGY CO., LTD.	Taiwan	Electronic product development and design	NTD 37,000	NTD 37,000	2,751,282	95	NTD 14,648	(NTD 3,168)	(NTD 3,005)	"
	CRESSON INC.	Japan	Electronic product development and design	JPY 31,050	JPY -	60	30	NTD 6,379	NTD 974	NTD 292	Note 1

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, 2026

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 ELECTRONICS TRADING (SHANGHAI) CO., LTD.	Electronics sales	\$ 119,388 (USD 3,800) (Note 5)	(2)	\$ 130,384 (USD 4,150)	\$ -	\$ -	\$ 130,384 (USD 4,150) (Note 4)	\$ 1,691	100	\$ 1,691	\$ 2,635	\$ -	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, 2026	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 130,384 (USD 4,150)	\$ 130,384 (USD 4,150)	\$ 353,984

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.