

Paragon Technologies Co., Ltd.
and Its Subsidiaries

Consolidated Financial Statements and Independent
Auditors' Report
2025 and 2024

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REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Paragon Technologies Co., Ltd. as of and for the year ended December 31, 2025, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, "Consolidated Financial Statements". In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Paragon Technologies Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Company Name: Paragon Technologies Co., Ltd.

Person in charge: Huang, Yi-Chun

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Independent Auditors' Report

Paragon Technologies Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Paragon Technologies Co., Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2025 is stated as follows:

Shipping Authenticity of Revenues for Some Specific Clients

Explanation of Key Audit Matters

The Company and its subsidiaries are mainly engaged in manufacturing EMI, Optoelectronic, and optical film, and research, development, manufacturing, processing and trading of machinery and equipment, and components. The 2025 recognition of operating revenue is NT\$319,902 thousand. Based on the importance and Bulletin of Standards on Auditing, the sales recognition is the significant risk. Therefore, we believe the occurrence of sales revenue of the Company and its subsidiaries for some specific clients has a significant impact on the consolidated financial statements. Thus, the shipping authenticity for revenues of some specific clients is listed as the key audit matters this year. Refer to Note 4 (16 and 28) for the explanation of sales recognition policies.

We performed the following main audit procedures:

1. Understand and test the design and implementation of internal controls related to the sales recognition of some specific clients.
2. Sample the revenue details from the above specific clients, review the supporting documentation and test the receipts to confirm that sales transactions have actually occurred.
3. Examine whether significant sales returns and allowances have occurred after the balance sheet date to confirm whether revenues from some specific clients are materially misstated.

Other Matter

We have also audited the individual financial statements of Paragon Technologies Co., Ltd. as of and for the years ended December 31, 2025 and 2024 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, matters related to using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company and its subsidiaries' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists in the consolidated financial statements. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2025 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a

matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*These consolidated financial statements are translated from the traditional Chinese version and are unaudited by a CPA.

Deloitte & Toche

Accountant Weng, Bo-Ren

Accountant Yu, Meng-Kuei

Approval No. of Financial Supervision
Commission

No.
Financial-Supervisory-Securities-Auditing-
1010028123

Approval No. of Financial Supervision
Commission

No.
Financial-Supervisory-Securities-Auditing-
1130357402

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Paragon Technologies Co., Ltd. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2025 and 2024

(In Thousands of New Taiwan Dollars)

Codes	Assets	December 31, 2025		December 31, 2024	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Notes 4 and 6)	\$ 443,330	20	\$ 1,069,070	49
1110	Financial assets at fair value through profit or loss - current (Notes 4, 7, 22 and 23)	142,104	6	180	-
1136	Financial assets at amortized cost - current (Notes 4, 9, 10 and 38)	237,035	11	227,876	10
1170	Accounts receivable (Notes 4, 11 and 28)	235,470	11	246,227	11
1200	Other receivables (Notes 4 and 11)	1,080	-	4,880	-
1220	Current tax assets (Notes 4 and 30)	9,504	-	9,925	1
130X	Inventories (Notes 4 and 12)	11,503	1	20,160	1
1429	Prepayments (Note 20)	30,779	1	19,139	1
1460	Non-current assets for sale (Notes 4 and 13)	10,132	-	10,132	1
1470	Other current assets (Note 20)	1,404	-	1,192	-
11XX	Total current assets	<u>1,122,341</u>	<u>50</u>	<u>1,608,781</u>	<u>74</u>
	Non-current assets				
1600	Property, plant and equipment (Notes 4, 16 and 38)	879,322	39	272,987	13
1755	Right-of-use assets (Notes 4 and 17)	118,383	5	140,476	6
1805	Goodwill (Notes 4 and 18)	9,051	-	9,051	-
1821	Intangible assets (Notes 4 and 19)	1,078	-	770	-
1840	Deferred tax assets (Notes 4 and 30)	38,510	2	32,440	1
1915	Prepayment for equipment (Note 20)	33,608	2	83,365	4
1920	Refundable deposits (Notes 20 and 38)	23,310	1	17,030	1
1990	Other noncurrent assets (Notes 4, 20 and 26)	20,458	1	18,192	1
15XX	Total non-current assets	<u>1,123,720</u>	<u>50</u>	<u>574,311</u>	<u>26</u>
1XXX	Total assets	<u>\$ 2,246,061</u>	<u>100</u>	<u>\$ 2,183,092</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Notes 4, 21, 36 and 38)	\$ 155,000	7	\$ 110,000	5
2130	Contract liabilities (Note 28)	470	-	6	-
2170	Accounts payable (Notes 23)	4,642	-	4,270	-
2200	Other Payables (Notes 24)	101,042	5	113,689	5
2230	Current tax liabilities (Notes 4 and 30)	3,328	-	1,922	-
2250	Current provisions (Notes 4 and 25)	2,239	-	1,446	-
2280	Current lease liabilities (Notes 4 and 17)	17,088	1	21,321	1
2320	Current portion of long-term loans payable (Notes 21 and 38)	94,244	4	61,333	3
2399	Other current liabilities	524	-	567	-
21XX	Total current liabilities	<u>378,577</u>	<u>17</u>	<u>314,554</u>	<u>14</u>
	Non-current liabilities				
2530	corporate bond payable (Notes 4 and 22)	290,268	13	284,437	13
2540	Long-term loans (Notes 21 and 38)	74,686	4	15,352	1
2550	Non-current provisions (Notes 4 and 25)	1,764	-	674	-
2570	Deferred tax liabilities (Notes 4 and 30)	3,772	-	279	-
2580	Non-current lease liabilities (Notes 4 and 17)	93,013	4	109,228	5
2630	Long-term deferred revenue (Notes 33)	3,862	-	3,979	-
25XX	Total non-current liabilities	<u>467,365</u>	<u>21</u>	<u>413,949</u>	<u>19</u>
2XXX	Total liabilities	<u>845,942</u>	<u>38</u>	<u>728,503</u>	<u>33</u>
	Equity attributable to owners of the Company (Notes 4, 13, 22, 27 and 32)				
	Capital stock				
3110	Common stock	1,026,622	46	969,622	44
3200	Capital reserve	678,090	30	843,454	39
	Accumulated deficit				
3350	Accumulated deficit	(148,052)	(7)	(201,884)	(9)
3300	Total accumulated deficit	(148,052)	(7)	(201,884)	(9)
3400	Other interests	(156,541)	(7)	(156,603)	(7)
31XX	Total equity attributable to owners of the Company	<u>1,400,119</u>	<u>62</u>	<u>1,454,589</u>	<u>67</u>
3XXX	Total equity	<u>1,400,119</u>	<u>62</u>	<u>1,454,589</u>	<u>67</u>
	Total liabilities and equity	<u>\$ 2,246,061</u>	<u>100</u>	<u>\$ 2,183,092</u>	<u>100</u>

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

Chairman: Huang, Yi-Chun

Manager: Yu, Hsiu-Ping

Accounting Supervisor: Liu, Ming-Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

From January 1 to December 31, 2025 and 2024

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) per share)

Codes		2025		2024	
		Amount	%	Amount	%
4000	Operating Revenue (Notes 4 and 28)	\$ 319,902	100	\$ 353,985	100
5000	Operating costs (Notes 4,12,19 and 29)	(298,183)	(93)	(283,109)	(80)
5950	Gross profit	21,719	7	70,876	20
	Operating expenses (Notes 11, 19 and 29)				
6100	Sales and marketing expenses	(21,984)	(7)	(19,347)	(5)
6200	Administrative expenses	(102,884)	(32)	(123,039)	(35)
6300	Research and development expenses	(53,118)	(17)	(70,157)	(20)
6450	Expected credit impairment loss	(797)	-	(4,121)	(1)
6000	Total operating expenses	(178,783)	(56)	(216,664)	(61)
6900	Operating Loss	(157,064)	(49)	(145,788)	(41)
	Non-operating income and expenses (Notes 14, 17, 22, 29 and 33)				
7100	Interest income	9,285	3	13,709	4
7010	Other income	1,946	1	596	-
7020	Other gains and losses	40,675	13	2,791	1
7050	Finance costs	(17,445)	(6)	(10,018)	(3)
7000	Total non-operating income and expenses	34,461	11	7,078	2
7900	Profit (loss) from discontinued operations, net of tax	(122,603)	(38)	(138,710)	(39)
7950	Total income tax expense (Notes 4 and 30)	(28,810)	(9)	(46,997)	(14)
8000	Net loss for the current period of Continuing business units	(151,413)	(47)	(185,707)	(53)
8100	Profit from discontinued operations (Notes 4,13 and 29)	2,020	-	(26,388)	(7)
8200	Net loss for the period	(149,393)	(47)	(212,095)	(60)

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Codes		2025		2024	
		Amount	%	Amount	%
	Other comprehensive income				
8310	Not reclassified to profit or loss				
8311	Measure on defined benefit plans (Notes 4 and 26)	\$ 1,676	-	\$ 12,764	4
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive income. (Notes 4, 8 and 27)	(20,400)	(6)	-	-
8349	Income tax expense related to items that will not be reclassified subsequently (Notes 4 and 30)	<u>3,745</u>	<u>1</u>	<u>(2,553)</u>	<u>(1)</u>
	Subtotal	<u>(14,979)</u>	<u>(5)</u>	<u>10,211</u>	<u>3</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences resulting from translating the financial statements of foreign operations (Notes 4 and 27)	2,470	1	37,396	10
8399	Income tax related to items that may be reclassified subsequently (Notes 4, 27 and 30)	<u>(494)</u>	<u>-</u>	<u>(7,479)</u>	<u>(2)</u>
	Subtotal	<u>1,976</u>	<u>1</u>	<u>29,917</u>	<u>8</u>
8300	Other comprehensive income (net of income tax)	<u>(13,003)</u>	<u>(4)</u>	<u>40,128</u>	<u>11</u>
8500	Total comprehensive income	<u>(\$ 162,396)</u>	<u>(51)</u>	<u>(\$ 171,967)</u>	<u>(49)</u>
	Loss per share (Note 31)				
	From continuing operations and discontinued operations				
9750	Basic	<u>(\$ 1.56)</u>		<u>(\$ 2.39)</u>	
9850	Diluted	<u>(\$ 1.56)</u>		<u>(\$ 2.39)</u>	
	from continuing operations				
9710	Basic	<u>(\$ 1.58)</u>		<u>(\$ 2.09)</u>	
9810	Diluted	<u>(\$ 1.58)</u>		<u>(\$ 2.09)</u>	

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

Chairman: Huang, Yi-Chun

Manager: Yu, Hsiu-Ping

Accounting Supervisor: Liu, Ming-Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2025 and 2024

(In Thousands of New Taiwan Dollars
, Unless Otherwise Specified)

Codes		Capital Stock		Retained earnings			Others			Unrealized gain on investments in equity instruments at fair value through other comprehensive income.	Total equity
		Shares (in thousands)	Capital Stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficit)	Foreign currency translation reserve	Unearned Stock-Based Employee Compensation		
A1	Balance, January 1, 2024	84,042	\$ 840,422	\$ 697,863	\$ 6,913	\$ 62,223	(\$ 201,431)	(\$ 156,329)	(\$ 23,876)	\$ -	\$ 1,225,785
B1	Appropriations of 2023 year's earnings										
	Legal reserve	-	-	-	(6,913)	-	6,913	-	-	-	-
B3	Special reserve	-	-	-	-	(62,223)	62,223	-	-	-	-
C5	Other changes in capital reserves:										
	The convertible corporate bonds issued by the Company are recognized as a component of equity	-	-	71,620	-	-	-	-	-	-	71,620
C11	Capital reserve to make up for losses	-	-	(132,295)	-	-	132,295	-	-	-	-
E1	Cash capital increase	12,000	120,000	180,000	-	-	-	-	-	-	300,000
N1	Issuance of new shares with restrictions on employee rights	920	9,200	23,966	-	-	-	-	(23,966)	-	9,200
N1	Share-based payment arrangements	-	-	2,300	-	-	-	-	17,651	-	19,951
D1	Total net loss of 2024	-	-	-	-	-	(212,095)	-	-	-	(212,095)
D3	Other comprehensive income of 2024	-	-	-	-	-	10,211	29,917	-	-	40,128
D5	Total comprehensive income of 2024	-	-	-	-	-	(201,884)	29,917	-	-	(171,967)
Z1	Balance, December 31, 2024	96,962	969,622	843,454	-	-	(201,884)	(126,412)	(30,191)	-	1,454,589
C11	Capital reserve to make up for losses	-	-	(201,884)	-	-	201,884	-	-	-	-
E1	Cash capital increase	5,000	50,000	50,000	-	-	-	-	-	-	100,000
N1	Issuance of new shares with restrictions on employee rights	1,000	10,000	(4,450)	-	-	-	-	(5,550)	-	-
N1	Share-based payment arrangements	-	-	-	-	-	-	-	16,864	-	16,864
T1	Cancellation of Restricted Employee Shares	(300)	(3,000)	(9,030)	-	-	-	-	3,092	-	(8,938)
D1	Total net loss of 2025	-	-	-	-	-	(149,393)	-	-	-	(149,393)
D3	Other comprehensive income of 2025	-	-	-	-	-	1,341	1,976	-	(16,320)	(13,003)
D5	Total comprehensive income of 2025	-	-	-	-	-	(148,052)	1,976	-	(16,320)	(162,396)
Z1	Balance, December 31, 2025	<u>102,662</u>	<u>\$ 1,026,622</u>	<u>\$ 678,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 148,052)</u>	<u>(\$ 124,436)</u>	<u>(\$ 15,785)</u>	<u>(\$ 16,320)</u>	<u>\$ 1,400,119</u>

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

Chairman: Huang, Yi-Chun

Manager: Yu, Hsiu-Ping

Accounting Supervisor: Liu, Ming-Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries

Consolidated Statements of Cash Flows

From January 1 to December 31, 2025 and 2024

(In Thousands of New Taiwan Dollars)

Codes		2025	2024
	Cash flows from operating activities		
A00010	Pre-tax profit (loss) of continuing operations	(\$ 122,603)	(\$ 138,710)
A00020	Pre-tax losses of discontinued units	2,020	(26,388)
A20010	Income and expense items		
A20100	Depreciation	64,976	59,998
A20200	Amortization	1,155	906
A20300	Expected credit loss (reversal of profit)	797	3,452
A20400	Gain (Loss) on financial assets or liabilities at fair value through profit or loss	(45,699)	330
A20900	Finance costs	17,445	10,018
A21200	Interest income	(9,528)	(14,842)
A21300	Dividend income	(1,324)	-
A21900	Compensation cost relating to share-based payment	10,926	19,951
A22500	Losses (Profits) from disposal and retirement of property, plant and equipment	(10)	2,974
A23700	impairment loss and slow-moving on inventories	334	11,478
A29900	Recognition (Reversal) of Provisions	760	(883)
A29900	Lease Modification Benefits	-	(319)
A29900	Amortization of realized long-term deferred revenue	(129)	(131)
A30000	Changes in operating assets and liabilities		
A31115	Financial assets at fair value through profit or loss	(96,225)	-
A31150	Accounts receivable	9,772	29,440
A31180	Other receivables	3,780	(3,773)
A31200	Inventories	8,322	(9,346)
A31230	Prepayments	(11,640)	871
A31240	Other current assets	(212)	1,074
A31990	Net defined benefit Assets	(590)	207
A32125	Contract liabilities	464	6
A32150	Accounts payable	372	(4,308)
A32180	Other Payables	(5,962)	3,165
A32230	Other current liabilities	(43)	145
A33000	Cash outflow generated from operations	(172,842)	(54,685)

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Codes		2025	2024
A33100	Interest received	\$ 9,548	\$ 14,581
A33300	Interest paid	(8,187)	(5,445)
A33500	Income tax paid	(26,309)	(59,686)
AAAA	Cash outflow from operating activities	(197,790)	(105,235)
	Cash flows from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	(20,400)	-
B00040	Acquisition of Financial Assets Measured at Amortized Cost are Asset	(9,159)	(170,332)
B02700	Acquisitions of property, plant and equipment	(576,049)	(43,169)
B02800	Disposal of property, plant and equipment	10	20,974
B03700	Increase in refundable deposits	(6,280)	(12,465)
B04500	Acquisition of intangible assets	(1,464)	(1,689)
B07100	Increase in prepayment for equipment	(36,593)	(83,365)
B07600	Dividends Received	1,324	-
BBBB	Net cash outflows from investing activities	(648,611)	(290,046)
	Cash flows from financing activities		
C00100	Increase in short-term loans	45,000	-
C00200	Repayments of short-term loans	-	(80,000)
C01200	Issuance of corporate bonds	-	353,390
C01600	Increase in long-term loans	170,000	100,000
C01700	Repayments of long-term loans	(77,755)	(31,899)
C04020	Payments of lease liabilities	(26,364)	(19,300)
C04600	Proceeds from issuing shares	100,000	300,000
C04800	Issuance of new shares with restrictions on employee rights	10,000	9,200
C09900	Cancellation of Restricted Employee Shares	(3,000)	-
CCCC	Net cash inflows from financing activities	217,881	631,391
DDDD	Effect of exchange rate changes on cash and cash equivalents	2,780	32,394
EEEE	Increase in cash and cash equivalents	(625,740)	268,504
E00100	Cash and cash equivalents at beginning of year	1,069,070	800,566
E00200	Cash and cash equivalents at end of year	\$ 443,330	\$ 1,069,070

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

Chairman: Huang, Yi-Chun

Manager: Yu, Hsiu-Ping

Accounting Supervisor: Liu, Ming-Yi

Paragon Technologies Co., Ltd. and Its Subsidiaries
Notes to the Individual financial statements
From January 1 to December 31, 2025 and 2024
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

I. Company history

Paragon Technologies Co., Ltd. (hereinafter referred to as the Company, the Company and the entities controlled by the Company are referred to as the consolidated company.) is established in October 1995 in accordance with the Company Act and relevant regulations and is mainly engaged in manufacturing EMI, Optoelectronic, and optical film, and research, development, manufacturing, processing and trading of machinery and equipment, and components. After the decision of the Board of Directors, the Company merged with its 100%-owned subsidiary, Xin Ding Technology Limited, in October 2005 with October 27, 2005, as the base date for the merger. The Company is the surviving company and Xin Ding Technology Limited was dissolved as a result of the merger.

In July 2006, the Company was approved to trade its stocks in the emerging stock market by the Taipei Exchange (TPEX) in Taiwan. In November 2007, the Company's stocks ceased to be traded on the TPEX; instead, its stocks began to be traded on the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollars.

II. Approval date and procedures of the individual financial statements

The consolidated financial statements were approved by the Board of Directors on March 9, 2026.

III. New standards, amendments and interpretations adopted

- (1) Initial application of the International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by Financial Supervisory Commission (hereinafter referred to as the "FSC").

Whenever applied, the initial application of the amendments to the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the consolidated company's accounting policies.

- (2) The IFRSs endorsed by the FSC with effective date starting 2026

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments", regarding the amendment of application guidance on derecognition of financial liabilities.	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
"Annual Improvements to IFRSs - Volume 11"	January 1, 2026
IFRS 17 "Insurance Contracts" (including amendments in 2020 and 2021)	January 1, 2023

Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments", regarding the amendment of application guidance on derecognition of financial liabilities.

- (1) Amendments to the application guidance on financial assets classification

The amendment mainly modifies the classification of financial assets, including:

- A. If a financial asset contains a contingent event that could change the timing or amount of contractual cash flows, and the nature of the contingent event itself does not relate directly to changes in basic lending risks and costs (such as whether the debtor achieves a specified reduction in carbon emissions), the contractual cash flows of such a financial asset are solely payments of principal and interest on the principal amount outstanding provided that both of the following conditions are met:
- The contractual cash flows arising in all possible scenarios (whether before or after the occurrence of a contingent event) consist solely of payments of principal and interest on the principal amount outstanding; and
 - There is no major difference between the contractual cash flows arising in all possible scenarios and the cash flows of a financial instrument with the same contractual terms but without contingent features.
- B. Specify that the non-recourse features are an entity’s ultimate right to receive cash flows which is contractually limited to the cash flows generated by specified assets.
- C. Clarify that contractually linked instruments are the prioritization of payments to the holders of these tranches which is established through a waterfall payment structure that creates concentrations of credit risk and results in a disproportionate allocation of cash shortfalls from the underlying pool between the tranches.

(2) Amendments to the application guidance on derecognition of financial liabilities

The amendment mainly states that, despite the financial liability being required to be derecognized on the settlement date, when settling a financial liability in cash using an electronic payment system, an entity may choose to discharge the financial liability before the settlement date if the following conditions are met:

- the entity having no practical ability to withdraw, stop or cancel the payment instruction;
- the entity having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- the settlement risk associated with the electronic payment system being insignificant.

Except for the above impact, as of the date the accompanying consolidated financial statements were issued, the consolidated company assesses that the above standards or interpretations will not have a significant impact on its financial position and financial performance.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027(Note 2)
IFRS19 “Subsidiaries without Public Accountability: Disclosures” (including amendments in 2025)	January 1, 2027

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IAS 21 “Translation to a Hyperinflationary Presentation Currency”	January 1, 2027

Note 1: Unless stated otherwise, the above New, Revised or Amended Standards or Interpretations are effective for annual reporting periods beginning on or after their respective effective dates.

IFRS 18 “Presentation and Disclosure in Financial Statements” and Related Amendments

IFRS 18 will replace IAS 1 "Presentation of Financial Statements". The main amendment includes:

- The consolidated company should categorize items of income and expenses included in the income statement into the operating, investing, financing, income taxes, and discontinued operations categories by assessing whether it engages in specific business activities, such as investing in certain types of assets and providing financing to customers.
- The income statement shall present operating profit or loss, profit or loss before financing and taxes and totals and subtotals of profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The consolidated company shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The consolidated company shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The consolidated company labels items as “other” only if it cannot find a more informative label.
- Increase disclosure of performance defined by management: When the consolidated company engages in public communications outside the financial statements and communicates with users of the financial statements management’s perspective on a particular aspect of the consolidated company’s overall financial performance, it shall disclose the performance measurement defined by management, including a description of the measurement, how it is calculated, its reconciliation to subtotals or totals prescribed by IFRSs, and the income tax and non-controlling interests effects of related reconciliation, by a separate note in the financial statements.

In addition, IAS 7 “Statement of Cash Flows” makes the following related amendments:

- When a consolidated company prepares net cash flow from operating activities using the indirect method, it should start from operating income or loss.
- Interest and dividends received by the consolidated company should be classified as investing activities, while interest and dividends paid should be classified as financing activities. If the consolidated company is determined to have a specific business activity, the classification of dividend revenue, interest income, and interest expense in the income statement must be considered to determine the classification of dividends received, interest received, and interest paid in the statement of cash flows; however, each of these cash flows may be classified only under a single activity in the statement of cash flows.

Except for the above impact, as of the date the accompanying consolidated financial statements were issued, the consolidated company continues in evaluating the impact

on its financial position and financial performance from the above standards or interpretations. The related impact will be disclosed when the consolidated company completes its estimation.

IV. Summary of significant accounting policies

(1) Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

(2) Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and for net defined benefit assets that are recognized after defined benefit obligation minus fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs:

1. Level 1 Inputs: the quoted prices (unadjusted) in active markets for identical assets or liabilities that can access at the measurement date.
2. Level 2 Inputs: the inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (price) or indirectly (derived from price).
3. Level 3 inputs: the unobservable inputs for the asset or liability.

(3) Classification of Current and Non-current Assets and Liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities due to be settled within 12 months after the balance sheet date (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the release of the financial statements); and
3. Liabilities that do not have a substantive right to defer payment for at least 12 months after the balance sheet date.

Assets and liabilities that are not classified as current are classified as non-current. The terms of the liability may be settled, at the option of the counterparty, by the transfer of equity instruments of the amalgamating company. If the amalgamating company classifies the option as an equity instrument, these provisions do not affect the classification of the liability as current or non-current.

(4) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Company.

Refer to Note 14 and Table 5 and 6 for details of subsidiaries, shareholding percentage and main business.

(5) Business Combinations

Business combinations are handled by the acquisition method. Acquisition-related costs are recognized as expenses in the period where the costs are incurred and the services are rendered.

Goodwill is measured as the excess of the total fair value of the consideration transferred and the fair value of any previously held equity interest in the acquiree at the acquisition date, over the net identifiable assets acquired and liabilities assumed at that date.

When the consideration transferred by the consolidated company in business combination includes the assets or liabilities generated due to or from consideration, the contingent consideration is measured at fair value on the acquisition date and forms part of the transfer consideration paid for transferring the acquiree. The changes in the fair value of contingent consideration that are the adjustment in the measurement period shall retroactively adjust the acquisition cost and correspondingly adjust the goodwill. The adjustment in the measurement period is the adjustment resulting from obtaining additional information on facts and circumstances existing at the acquisition date in the "measurement period" (not exceeding 1 year from the acquisition date).

The changes in the fair value of contingent consideration that are not the adjustment in the measurement period shall be handled subsequently depending on the classification of contingent consideration. Other contingent considerations are measured at fair value at the subsequent balance sheet date and the changes in fair value are recognized in profit or loss.

If the initial accounting for a business combination is incomplete at the balance sheet date on which the combination occurs, the reports provisional amounts for the items

for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(6) Foreign Currencies

In preparing the individual financial statements, transactions in currencies other than the individual functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing on the transaction dates.

On each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise, except for:

1. Foreign currency loans related to assets under construction for future production while their exchange difference is included in the cost of such assets if it adjusted the interest cost of such loans;
2. Exchange differences arising from transactions to hedge part of the foreign currency risk; and
3. Monetary items receivable from or payable to foreign operations. When the settlement is neither planned nor likely to occur in the foreseeable future (and therefore forms part of the net investment in the foreign operations), the exchange differences are recognized as other comprehensive income and are reclassified from equity to profit or loss upon disposal of the net investment.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries using functional currencies which are different from the currency of the Company) are translated into NT\$ using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income (and attributed to the Company's owners and non-controlling interests respectively).

On the disposal of a foreign operation (i.e., disposal of the Company's entire interest in a foreign operation, or disposal involving the loss of control over a subsidiary that includes a foreign operation, or the reserved equities are financial assets after it disposes the joint agreement of foreign operation or associates and handled by accounting policies of financial instruments), all of the exchange differences

accumulated attributable to the owners of the Company and related to the foreign operations are reclassified in profit or loss.

When partial disposal of the subsidiaries of foreign operations does not result in loss of control, accumulated exchange differences belong to the non-controlling interests of the subsidiaries, but are not recognized in profit or loss. The accumulated exchange differences resulting from other disposal of the foreign operations are reclassified into profit or loss on a pro-rata basis.

(7) Inventories

Inventories consist of raw materials, work in process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

(8) Investments in associates

An associate is an entity on which the consolidated company has significant influence and is not a subsidiary or joint venture.

The consolidated company adopts the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the consolidated company's share of the profit or loss and other income of the associate and joint venture. The consolidated company also recognizes its share in the changes in the equities of associates.

When the consolidated company's share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the consolidated company's net investment in the associate), the consolidated company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the consolidated company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate and joint venture.

The entire carrying amount of an investment (including goodwill) is tested for impairment 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 only to the extent that the recoverable amount of the investment subsequently increases.

The consolidated company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained interest is measured at fair value, and the difference between the fair value and the carrying amount of the associate attributable to the retained interest is recognized in profit or loss of the period. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions are recognized in the consolidated financial statements only to the extent of interests in the associate that is not related to the consolidated company.

(9) Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment Property, plant and equipment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. When the lease term is shorter than the useful lives, it shall be depreciated within the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each year, with the effects of any change in the estimates values accounted for on a prospective basis.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset shall be recognized in loss or profit.

(10) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the consolidated company's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit.

Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

When an operation within cash-generating unit is disposed, the amount of goodwill related to the disposed operation is included in the carrying amount of the operation to determine the profit or loss for disposition.

(11) Intangible Assets

1. Separately acquired

Separately acquired intangible assets with finite useful lives are first carried at cost, and at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the estimated useful lives of intangible assets. The estimated useful life, salvage value and amortization method are reviewed at the end of each year, with the effect of changes in accounting estimate values being accounted for on a prospective basis. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

2. Derecognition

When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(12) Impairment of Property, Plant and Equipment, Right-of-use Assets and Intangible Assets (Except Goodwill)

The consolidated company estimates its property, plant and equipment, right-of-use assets and intangible assets (except goodwill) to determine whether there is any indication that those assets have suffered an impairment loss on each date of balance sheet. If any such indication exists, the recoverable amount of the asset is estimated. When it is not possible to estimate the recoverable amount of an individual asset, the consolidated company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For intangible assets with indefinite useful life and not yet available for use, impairment tests are conducted every year and when there are indications of impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment related to the contract shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years (less amortization or depreciation). A reversal of an impairment loss is recognized in profit or loss.

(13) Non-current Assets Held for Sale

The carrying amount of a non-current asset (or disposal group) is classified as held for sale when it is expected to be recovered primarily through transaction rather than through continuing use or recycling. Non-current assets (or disposal groups) in this classification must be available for immediate sale in their current state and their sale must be highly probable. A sale is highly probable when the appropriate level of management is committed to a plan to sell the asset and such transaction is expected to be completed within one year from the classification date.

If a sale results in losing control of the subsidiary, all assets and liabilities of the subsidiary are classified as held for sale, regardless of whether the non-controlling interests in the former subsidiary are retained after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of carrying amount or fair value less costs to sell, and depreciation is discontinued for such assets.

(14) Financial Instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the consolidated company becomes a party to the contractual provisions of the instruments.

When financial assets and financial liabilities are initially recognized, if the financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issue of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities measured at fair value through profit or loss.

1. Financial assets

Regular trading of financial assets shall be recognized and derecognized in accordance with settlement date accounting.

(1) Measurement categories

Financial assets held by the consolidated company are measured at fair value through profit or loss, and measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial asset is classified as at FVTPL when such a financial asset is mandatorily classified and designated. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and derivatives and beneficiary securities that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The dividends or interest earned on such a financial asset are recognized in other and interest income respectively. Refer to Note 36 for determination of fair value.

B. Financial assets at amortized cost

When the consolidated company's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost (including cash and cash equivalents, trade receivables at amortized cost) are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss. Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of a financial asset, except:

- a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

- b. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

- C. Investments in equity instruments at fair value through other comprehensive income

Upon initial recognition, the consolidated company may make an irrevocable election to designate equity instrument investments - other than those held for trading or acquired in a business combination for contingent consideration - as at FVTOCI.

Equity investments designated as at FVTOCI are measured at fair value, with subsequent changes in fair value recognized in other comprehensive income and accumulated in other interests. Upon disposal of the investment, the accumulated gain or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

Dividends on equity investments designated as at FVTOCI are recognized in profit or loss when the consolidated company's right to receive payment is established, unless such dividends clearly represent a recovery of part of the investment cost.

- (2) Impairment of financial assets

The consolidated company assesses the impairment loss of financial assets at amortized cost (including accounts receivable), and investments in debt instruments, lease receivables and contract assets at fair value through other comprehensive income, based on the expected credit loss on each balance sheet date.

Accounts receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

The impairment loss of all financial assets is reduced in their carrying amounts through a loss allowance account while the allowance loss of investments in debt instruments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce their carrying amounts.

- (3) Derecognizing of financial assets

The consolidated company derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in equity instrument at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instruments

Debt and equity instruments issued by the consolidated company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized at the proceeds received, net of the cost of direct issue.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial Liabilities

(1) Subsequent measurement

All financial liabilities are at amortized cost in the effective interest method.

(2) Derecognizing of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4. Convertible Corporate Bonds

The compound financial instrument (convertible corporate bonds) issued by the consolidated company is classified as financial liabilities and equity at initial recognition in accordance with the substance and definition of financial liabilities and equity instruments in the contractual agreement.

Upon initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments and is measured at amortized cost using the effective interest method before the conversion or maturity. Liability components that are embedded in non-equity derivatives are measured at fair value.

The conversion right classified as equity is equal to the residual amount of the fair value of the compound instruments as a whole less the fair value of the liability component determined independently. It is recognized as equity after less the income tax effect, and is not subsequently measured. When this conversion right is executed, the relevant liability component and the amount in equity will be reclassified as capital stock and capital reserve - issued at a premium. If the conversion right of convertible corporate bonds is not executed on the maturity date, the amount recognized in equity will be reclassified as capital reserve - issued at a premium.

Transaction costs related to the issuance of convertible corporate bonds are amortized to the liability (recognized in the carrying amount of liabilities) and

equity components (recognized in equity) of the instrument in proportion to the total amortization.

(15) Provision for liability

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. Provision for liability is measured by the discount value of the estimated cash flow required to settle the obligation.

Warranty

The warranty obligation to ensure that the products meet the agreed-upon specifications is recognized as a provision in accordance with management's best estimate of the expenditure required to settle the obligation. This provision is recognized at the time the related revenue is recognized.

Decommissioning and rehabilitation obligations

According to the lease agreement, the merged company shall restore the leased factory to its original state at the time of lease on the end of the lease. The combined company is recognized as a provision for liabilities based on the present value of the best estimated future economic benefit outflow resulting from its performance of the restoration obligation under the lease agreement.

(16) Revenue recognition

After the consolidated company identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

If the consolidated company signs contracts with the same customer (or a related party of the customer) at almost the same time, the consolidated company treats them as a single contract because the goods or services promised in these contracts are a single performance obligation.

If the interval between the transfer of goods or services and the receipt of consideration is less than 1 year, the transaction price is not adjusted for significant financial components of the contract.

1. Revenue from sale of goods

Revenue from the sale of goods comes from sales of electronic components and automotive parts. When the electronic components and automotive parts are delivered to the location designated by customers, customers have the right to determine the price and the way the products are used while bearing the main responsibility for resale and the risk of obsolescence; thus, revenue and account receivable are recognized concurrently.

Because the ownership of processed products is still under the Company in the materials removal process, the removal of the materials is not recognized in profit or loss.

2. Revenue arising from rendering of services

The Company provides vacuum coating service for electronic components supplied by customers, and the revenue arising from rendering of service is recognized in profit or loss gradually as the time pass. The consolidated company measures the progress based on the produced or delivered quantity.

(17) Leasing

At the inception of a contract, the consolidated company assesses whether the contract is (or contains) a lease.

1. The consolidated company as lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

Lease payments less any lease incentives payable from operating leases are recognized as income on a straight-line basis over the terms of the lease terms. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2. The consolidated company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of each lease, except for low-value asset leases and short-term leases accounted for by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

Lease liabilities are initially measured at the present value of lease payments (including fixed payments). If the interest rate implicit in a lease can be easily determined, the lease payment is discounted at such an interest rate. If the interest rate cannot be easily determined, the lessee's incremental borrowing rate applies.

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. When there is a change in a lease term, the estimated amount payable under residual values guarantee, the assessment of an option to purchase an underlying asset or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the consolidated company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(18) Borrowing Costs

Borrowing costs directly attributable to an acquisition, construction, or production of qualifying assets are added to the cost of said assets, until such time as the assets are substantially ready for their intended use or sale.

The investment income, which is earned from the specific loans temporarily invested before the capital expenditure that meets the requirements, shall be deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(19) Government grants

Government grants are not recognized until there is reasonable assurance that the consolidated company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in the other income on a systematic basis during the periods in which the consolidated company recognizes the relevant costs, for which the grants are intended to compensate, as expenses. Government grants whose primary condition is that the consolidated company should purchase, construct or otherwise acquire noncurrent assets are recognized as deferred revenue and recognized in profit or loss over the useful lives of the related assets on a reasonable and systemic basis.

Government grants that are receivables as compensation for expenses or loss already incurred, or given to the consolidated company for the purpose of immediate financial support without relevant future costs, are recognized in profit or loss in the period in which they become receivables.

If government grants are transferred to the consolidated company in the non-monetary assets form, the grants are recognized and measured at fair value of the non-monetary assets.

The difference between the loan lower than the market rate received by the consolidated company and the fair value of the loan based on the prevailing market interest rate is recognized as government grants.

(20) Employee benefits

1. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and rereasurement) is calculated based on the projected unit credit method. The service cost (including the service cost for the current and previous period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur or when the plan is revised or reduced. The rereasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

3. Other long-term employee benefits

The accounting of other long-term employee benefits is the same as the defined benefit pension plan while the relevant rereasurement is recognized in profit or loss.

4. Termination benefits

The consolidated company recognizes termination benefits liabilities when it can no longer cancel the termination benefits agreement or when it recognizes restructuring costs (which is earlier).

(21) Share-Based Payments Agreement

Restricted shares for employees granted to employees

Restricted shares for employees are expensed on a straight-line basis over the vesting period, based on the fair value at the grant date and the Company's best estimate of the number expected to ultimately vest, with a corresponding increase in other equity (unearned employee benefits). The expense is recognized in full at the grant date if the grants are vested immediately.

When the Company issues restricted shares for employees, other interests (unearned employee benefits) are recognized at the grant date, and capital reserve - restricted shares for employees are adjusted accordingly. If the issue price is paid and the employees are required to return the price when they leave the Company, the Company should recognize the full amount of the price paid by the employees as payables. When the grant date is before October 10, 2024, the FSC's Q&A continues to recognize the estimated amount after considering the turnover rate as payables.

At the end of each reporting period, the consolidated company revises its estimate of the number of restricted shares for employees that are expected to vest. The impact from such revision is recognized in profit or loss so that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to Capital Reserve - restricted shares for employees.

(22) Income Tax

Income tax expenses are the sum of current and deferred income tax.

1. Current income tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Law, an additional tax on inappropriate earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carry-forwards, expenditure from purchasing machinery and equipment.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the consolidated company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date and recognized to the extent that it has become probable that future taxable income will allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates in the period in which the liabilities are expected to be settled or assets realized, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred income tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are recognized in other comprehensive income or directly in equity, respectively. If the current and deferred income tax are generated from business combinations, the affected amount of income tax is included in accounting of business combinations.

V. Major sources of uncertainty arising from significant accounting judgments, estimates, and assumptions

In the application of the consolidated company's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

When the consolidated company develops significant accounting estimates, the potential effects of inflation and fluctuations in market interest rates are considered for relevant significant accounting estimates, such as cash flow projections, growth rates, discount rates, and profitability. The management keeps reviewing estimates and underlying assumptions.

Key sources of estimation uncertainty - estimated impairment of financial assets

(1) Estimated impairment of financial assets

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The consolidated company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the consolidated company's historical experience, existing market conditions as well as forward-looking estimates. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(2) Impairment of inventory

The net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs to complete and the estimated costs to sell. These estimates are based on current market status and historical sales experience of similar goods. Changes in market status could significantly affect the results of these estimates.

(3) Impairment of property, plant, equipment, and right-of-use assets

The impairment of equipment and right-of-use assets related to the Silicon Carbide Products Department is estimated based on the recoverable amount of the assets (the higher of the fair value less costs to sell and the value in use of the assets). Changes in market prices, future cash flows or discount rates will affect the recoverable amount of the assets, which may result in an impairment loss for the consolidated company.

(4) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The calculation of the value in use requires management to estimate the future cash

flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If actual cash flows are less than expected, or if facts and circumstances change such that future cash flows decline or the discount rate increases, an impairment loss may arise.

VI. Cash and Cash Equivalents

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash on hand and revolving funds	\$ 456	\$ 622
Bank check and demand deposits	268,874	788,919
Cash equivalents (investment with an original maturity less than 3 months)		
7-day notice deposits	-	13,434
Time deposits due within 3 months	<u>174,000</u>	<u>266,095</u>
	<u>\$ 443,330</u>	<u>\$ 1,069,070</u>

The interest rate range of bank deposit at the balance sheet date is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Demand deposit	0.005%~0.705%	0.002%~1.15%
7-day notice deposits	-	0.45%
Time Deposits	1.24%~1.3%	1.35%~4.58%

VII. Financial instruments at fair value through profit or loss

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Financial assets - current</u>		
Mandatory measurement at fair value through profit or loss		
Convertible bonds - redemption rights (Note 22)	\$ 30	\$ 180
Non-derivative financial assets		
-Domestic listed stocks	<u>142,074</u>	<u>-</u>
	<u>\$ 142,104</u>	<u>\$ 180</u>

(1) For the information on financial assets at fair value through profit or loss pledged as collateral, please refer to Note 38.

VIII. Financial assets at fair value through profit or loss

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Non-current</u>		
Equity instrument investments		
Domestic investments		
Unlisted stocks		
Unicomm		
Interconnections		
Technology Co., Ltd.		
Common stock	<u>\$ -</u>	<u>\$ -</u>

The combined company invests in the above equity for medium- to long-term strategic purposes and expects to make a profit through long-term investment. The management of the combined company considers that it is inconsistent with the aforesaid long-term investment plan to include short-term fair value fluctuations in profit or loss of these investments and therefore chooses to designate these investments as measured at financial assets at fair value through profit or loss.

The merged company evaluated the fair value of Uniconn Interconnections Technology Co., Ltd. on June 30, 2025, and after evaluating the financial information and operating conditions of the investee company, the results showed that the overall profitability of the investee company was not as expected, and an unrealized valuation loss of NT\$20,400 thousand on investment in equity instruments measured at financial assets at fair value through other comprehensive income was recognized.

IX. Financial assets at amortized cost

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Current</u>		
Time deposits with original maturities over 3 months	<u>\$ 237,035</u>	<u>\$ 227,876</u>
(1) The market rate intervals for time deposits with original maturities of more than 3 months were 0.6%~3.6% and 1.42%~4.8% per annum as of December 31, 2025, and 2024.		
(2) Refer to Note 10 for information on credit risk management and impairment assessment related to financial assets at amortized cost.		
(3) Refer to Note 38 for information on pledged financial assets at amortized cost.		

X. Credit risk management for debt instrument investments

The consolidated company's investments in debt instruments are financial assets at amortized cost:

December 31, 2025

	<u>Measured at amortized cost</u>
Total Carrying Amount	\$ 237,035
Loss allowance	-
Amortized cost	<u>\$ 237,035</u>

December 31, 2024

	<u>Measured at amortized cost</u>
Total Carrying Amount	\$ 227,876
Loss allowance	-
Amortized cost	<u>\$ 227,876</u>

The consolidated company's current credit risk rating mechanism is as follows:

The credit risk of bank deposits and other financial instruments is measured and monitored by the consolidated company's financial departments. Since the consolidated company's counter-parties and performing parties are banks with good credit ratings, and financial institutions and corporate organizations with investment grades or above, the consolidated company does not have any major defaults and therefore does not have significant credit risk. The consolidated company's current credit risk rating mechanism and the total carrying amounts of investments in debt instruments with different credit ratings are summarized as follows:

Credit Rating	Definition	Expected Credit Loss Recognition Basis	Expected Credit Loss Ratio	Total carrying amount as of December 31, 2025	Total carrying amount as of December 31, 2024
Normal	The debtors' credit risk is low and have sufficient ability to settle the contractual cash flows	12-month expected credit losses	0%	<u>\$ 237,035</u>	<u>\$ 227,876</u>

XI. Trade Receivables and Other Receivables

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Trade receivables</u>		
Carried at amortized cost		
Total carrying amount	\$ 242,998	\$ 252,770
Less: Allowance for impairment loss	(<u>7,528</u>)	(<u>6,543</u>)
	<u>\$ 235,470</u>	<u>\$ 246,227</u>
<u>Other receivables</u>		
Interest receivable	\$ 464	\$ 484
Business tax refund receivable	70	4,353
Others	<u>546</u>	<u>43</u>
	<u>\$ 1,080</u>	<u>\$ 4,880</u>

(1) Notes Receivables and Trade Receivables

Trade receivables carried at amortized cost

The consolidated company's average credit period for the sale of goods is 170 days, and no interest accrued for trade receivables during the credit period. The consolidated company adopted a policy of only dealing with counterparties rated at or above Investment-grade and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit rate is provided by the credit rating agency. If such information is not available, the consolidated company rate the main customers using other publicly available financial information and historical transaction records. The consolidated company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The consolidated company adopted the simplified approach of IFRS 9 to recognize allowance loss based on the lifetime expected credit losses. The expected credit losses are estimated based on the Company's provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. From the experience of credit loss, there is no significant difference in the loss patterns between customer groups, therefore, the provision matrix does not further differentiate the customer groups but only determines the expected credit loss rate based on the number of days past due on trade receivable.

If there is evidence showing that the counterparty is facing serious financial difficulties and the consolidated company cannot reasonably foresee the recoverable amount, e.g. the counterparty is under liquidation or the debts are not paid for over 360 days, the consolidated company directly writes off the trade receivables and will continue the collection while the collected amount will be recognized in profit or loss.

The following table details the loss allowance of notes receivables and trades receivables based on the consolidated company's provision matrix.

December 31, 2025

	<u>0~90 days</u>	<u>91~180 days</u>	<u>180~360 days</u>	<u>More than 361 days</u>	<u>Total</u>
Expected credit loss rate	0%~1%	1.46%~5%	39.39%~ 47.97%	100%	
Total carrying amount	\$ 150,912	\$ 82,661	\$ 7,747	\$ 1,678	\$ 242,998
Loss allowance (Lifetime ECL)	(<u>1,165</u>)	(<u>1,222</u>)	(<u>3,463</u>)	(<u>1,678</u>)	(<u>7,528</u>)
Amortized cost	<u>\$ 149,747</u>	<u>\$ 81,439</u>	<u>\$ 4,284</u>	<u>\$ -</u>	<u>\$ 235,470</u>

December 31, 2024

	<u>0~90 days</u>	<u>91~180 days</u>	<u>180~360 days</u>	<u>More than 361 days</u>	<u>Total</u>
Expected credit loss rate	0%~0.83%	0.20%~ 1.67%	34.12%~ 82.35%	100%	
Total carrying amount	\$ 167,080	\$ 79,238	\$ 4,039	\$ 2,413	\$ 252,770
Loss allowance (Lifetime ECL)	(<u>1,116</u>)	(<u>878</u>)	(<u>2,136</u>)	(<u>2,413</u>)	(<u>6,543</u>)
Amortized cost	<u>\$ 165,964</u>	<u>\$ 78,360</u>	<u>\$ 1,903</u>	<u>\$ -</u>	<u>\$ 246,227</u>

The following table details the loss allowance of trade receivables:

	<u>2025</u>	<u>2024</u>
Balance at January 1	\$ 6,543	\$ 2,979
Add: Impairment loss of the period	797	3,452
Exchange differences from foreign currency	<u>188</u>	<u>112</u>
Balance at December 31	<u>\$ 7,528</u>	<u>\$ 6,543</u>

(2) Other receivables

There is no interest accrued for other receivables. When determining the receivability of other receivables, the consolidated company considers any changes in the credit quality of other receivables between the original credit grant date and balance sheet date. Based on the experience indicating that other receivables outstanding for more than 360 days are unlikely to be collected, the consolidated company recognizes 100% allowance for bad debts for other receivables outstanding for over 360 days. For other receivables outstanding between 0 and 360 days, the allowance for bad debts is estimated based on the past payment records and the current financial status of the counterparties.

As of the balance sheet date of December 31, 2025 and 2024, the consolidated company did not recognize any other receivables that were overdue but not yet recognized as the allowance for bad debts.

XII. Inventories

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Raw materials	\$ 9,587	\$ 16,864
Work-in-process	27	245
Finished goods	<u>1,889</u>	<u>3,051</u>
	<u>\$ 11,503</u>	<u>\$ 20,160</u>

The natures of the sales cost are as follows:

	<u>2025</u>	<u>2024</u>
Cost of inventories sold	\$ 297,849	\$ 291,428
impairment loss on inventories	334	11,478
Less: Discontinued Operations Segment	<u>-</u>	<u>(19,797)</u>
	<u>\$ 298,183</u>	<u>\$ 283,109</u>

XIII. Non-current Assets Held for Sale and Disposal Groups Held for Sale

(1) Discontinued operations

The consolidated company's Board of Directors resolved on September 18, 2024, to have its subsidiary, Essence International Investment Limited, sell its 100% of the shares of Paragon (Suzhou) Technology LTD. (hereinafter referred to as Paragon (Suzhou) Company). On September 24, 2024, the consolidated company entered into a contract for the disposal of a subsidiary, Paragon (Suzhou) Company. Since the disposal price was agreed to be no less than RMB 56 million, which exceeded the carrying amount of the related net assets, no impairment loss should be recognized for these units when they are classified as held for sale.

The details of the profit or loss and cash flows of the discontinued operations are as follows:

	<u>2025</u>	<u>2024</u>
Operating Revenue	\$ -	\$ 14,754
Operating costs	<u>-</u>	<u>(19,797)</u>
Gross Loss	-	<u>(5,043)</u>
Sales and marketing expenses	(1,521)	(3,701)
Administrative expenses	(2,724)	(24,474)
Reversal of Expected Credit Losses	<u>-</u>	<u>669</u>
Operating Loss	(4,245)	(32,549)
Interest Income	243	1,133
Other Income	5,428	5,579
Other Gains and Losses	<u>594</u>	<u>(551)</u>
Profit (Loss) Before Tax	2,020	(26,388)
Income Tax Expense	<u>-</u>	<u>-</u>
Profit or Loss for the Period	<u>2,020</u>	<u>(26,388)</u>
Profit (Loss) from Discontinued Operations	<u>\$ 2,020</u>	<u>(\$ 26,388)</u>
Loss from Discontinued Operations Attributable to:		
Owners of the Parent	<u>\$ 2,020</u>	<u>(\$ 26,388)</u>
Cash Flows		
Operating Activities	(\$ 2,825)	\$ 34,894
Investing Activities	-	(65,938)
Financing Activities	<u>-</u>	<u>(134,340)</u>
Net Cash Outflow	<u>(\$ 2,825)</u>	<u>(\$ 165,384)</u>

There were no income tax losses or benefits resulting from the benefit (loss) of the discontinued operations.

(2) Non-current assets held for sale

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Non-current Assets Held for Sale	<u>\$ 10,132</u>	<u>\$ 10,132</u>

The consolidated company's Board of Directors resolved on September 18, 2024, to have its subsidiary, Essence International Investment Limited, sell its 100% of the shares of Paragon (Suzhou) Company. The equity transfer has not yet been completed because the counterparty failed to fulfill its obligations under the equity transfer agreement. The consolidated company resolved to terminate the current equity transfer agreement by the Board of Directors on November 5, 2025, and subsequent matters regarding the equity transfer agreement will be handled in accordance with the relevant terms agreed upon by both parties during the negotiations on February 10, 2026. Its assets have been reclassified as non-current assets held for sale and are presented separately in the Consolidated Balance Sheet. The major categories of assets and liabilities held for sale are as below:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Property, Plant and Equipment	\$ 4,952	\$ 4,952
Right-of-Use Assets	5,140	5,140
Intangible Assets	<u>40</u>	<u>40</u>
	<u>\$ 10,132</u>	<u>\$ 10,132</u>

Since the selling price of the non-current assets held for sale is expected to exceed the carrying amount of the related net assets, no impairment loss should be recognized for these units when they are classified as non-current assets held for sale.

XIV. Subsidiary

(1) Subsidiaries included in the consolidated financial statements

The information of the subsidiaries was as follows:

Investor	Subsidiaries	Main Businesses and Products	Functional currency	Percentage of ownership		Note
				December 31, 2025	December 31, 2024	
The Company	Macro Sight International Co., Ltd. (hereinafter referred to as the MSI Company)	Reinvestment	RMB	100	100	—
The Company	Jing Cheng Material Co., Ltd. (hereinafter referred to as Jing Cheng Company)	Supply of silicon carbide technology and materials	NTD	100	100	1
MSI Company	Macro Sight Technology Limited (hereinafter referred to as MST Company)	Reinvestment	RMB	100	100	—
MSI Company	Paragon Technology Investments Limited. (hereinafter referred to as Paragon Investments Company)	Reinvestment	RMB	100	100	—
MSI Company	Precise International Investment Limited. (hereinafter referred to as Precision International Company)	Reinvestment	RMB	100	100	—
MST Company	Essence International Investment Limited (hereinafter referred to as Essence International Company).	Reinvestment	RMB	100	100	—
Paragon Investments Company	Zhejiang Paragon Technology Co., LTD. (hereinafter referred to as Zhejiang Paragon Company)	Sputter coated automotive parts	RMB	-	50.1	2、5
Essence International Company	Paragon (Suzhou) Technology LTD. (hereinafter referred to as Paragon (Suzhou) Company)	EMI processing	RMB	100	100	—
Essence International Company	Paragon (Jiangsu) Technology Co., LTD. (hereinafter referred to as Paragon (Jiangsu) Company)	EMI processing	RMB	100	100	3
Paragon (Suzhou) Company	Zhejiang Paragon Technology Co., LTD. (hereinafter referred to as Zhejiang Paragon Company)	Sputter coated automotive parts	RMB	-	49.9	2、5
Precise International Company	Paragon (Neijiang) Technology Co., LTD. (hereinafter referred to as Paragon (Neijiang) Company)	EMI processing	RMB	100	100	—
Paragon (Jiangsu) Company	Baiji (Suzhou) Technology Co., Ltd. (hereinafter referred to as Baiji (Suzhou) Company.)	Sputtering equipment after-sales service and equipment parts sales	RMB	100	100	4

Note:

- The Company participated in the capital increase of Jing Cheng Company and increased the investment amount by NT\$600,000 thousand on August 9, 2024.
- In response to the adjustment of the Group's investment structure, the Board of Directors resolved on August 9, 2024, that Paragon (Suzhou) Company

increase its investment in Zhejiang Paragon Company by US\$14,900 thousand, which resulted in the increase of Paragon (Suzhou) Company's shareholding in Zhejiang Paragon Company from 28.57% to 49.9%, and the decrease of Paragon Investments Company's shareholding in Zhejiang Paragon Company from 71.43% to 50.1%.

3. In response to the adjustment of the Group's investment structure, the Board of Directors resolved on August 9, 2024, that Paragon (Jiangsu) Company return the entire shareholding of Paragon (Suzhou) Company by reducing the capital, which resulted in the increase of Essence International Investment Limited's shareholding in Paragon (Jiangsu) Company from 80% to 100%. The Board of Directors of the consolidated company resolved on September 2, 2025, to proceed with a cash capital reduction of US\$2,500 thousand for Paragon (Jiangsu) Company and to refund the capital contribution. The alternation has been registered on October 20, 2025.
4. Paragon (Jiangsu) Company invested RMB 6,500 thousand in August 2024 to establish Baiji (Suzhou) Company with a 100% shareholding.
5. Zhejiang Paragon Company, whose main business is sputter coated automotive parts, has been approved to be dissolved on August 27, 2025. The remaining cash of RMB 276,961 was remitted back to Paragon (Suzhou) Company, and the resulting gain on disposal of RMB 581 thousand was recorded under other Income.

- (2) Subsidiaries not included in the consolidated financial statements: None.
- (3) Subsidiaries with significant non-controlling interests: None.

XV. Investments accounted for using equity method

- (1) Investments in associates

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Associates that are not individually material		
Cubee auto parts inc.	\$ _____ -	\$ _____ -

Refer to Table 5 "Information on Investees" of Note 42 for the nature of activities, principal places of business and countries of incorporation of the associates.

The consolidated company invested Cubee auto parts inc. on December 31, 2025 and 2024 and the percentage of ownership is 50%. However, as the composition of the board of directors is controlled by other shareholders under the shareholders' agreement, the consolidated company does not have control over Cubee auto parts inc. Management of the consolidated company considers it has significant influence on Cubee auto parts inc. and lists it as an associate.

- (2) Associates that are not individually material

	<u>2025</u>	<u>2024</u>
The consolidated company's share of:		
Loss from continuing operations for the period	\$ _____ -	\$ _____ -
Total comprehensive income (loss)	\$ _____ -	\$ _____ -

The consolidated company discontinues recognizing the specific associates' share of further losses accounted for using equity method. When the consolidated company recognizes the associates' share of further losses, it considers the carrying amount of the equity investments in the associates and the long-term receivables that are

essentially part of the investments in the associates. The recognized loss is not limited to the carrying amount of the equity investments in the associates. The unrecognized loss of the year and the unrecognized cumulative loss of the associates excerpted from their relevant financial statements are as follows:

	<u>2025</u>	<u>2024</u>
Amount of the year	<u>\$ -</u>	<u>\$ 10</u>
Cumulative amount	<u>(\$ 299)</u>	<u>(\$ 299)</u>
XVI. Property, Plant and Equipment		
	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Assets used by the Company	<u>\$ 879,322</u>	<u>\$ 272,987</u>
Assets subject to operating leases	<u>-</u>	<u>-</u>
	<u>\$ 879,322</u>	<u>\$ 272,987</u>

(1) Assets used by the Company

	<u>Buildings</u>	<u>Machinery and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Other Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost</u>							
Balance, January 1, 2025	\$ 180,735	\$ 596,580	\$ -	\$ 22,063	\$ 24,229	\$ 52,039	\$ 875,646
Additions	-	3,167	350	836	3,752	552,160	560,265
Disposal of assets	(2,301)	(256)	-	(171)	-	-	(2,728)
Effect of exchange difference	953	5,413	-	38	24	-	6,428
Reclassification of prepayments for equipment	-	6,731	150	-	4,211	75,258	86,350
Balance, December 31, 2025	<u>\$ 179,387</u>	<u>\$ 611,635</u>	<u>\$ 500</u>	<u>\$ 22,766</u>	<u>\$ 32,216</u>	<u>\$ 679,457</u>	<u>\$ 1,525,961</u>
<u>Accumulated depreciation and impairment</u>							
Balance, January 1, 2025	\$ 101,773	\$ 476,296	\$ -	\$ 18,815	\$ 5,775	\$ -	\$ 602,659
Depreciation	6,109	27,253	92	1,298	5,781	-	40,533
Disposal of assets	(2,301)	(256)	-	(171)	-	-	(2,728)
Effect of exchange difference	825	5,269	-	43	38	-	6,175
Balance, December 31, 2025	<u>\$ 106,406</u>	<u>\$ 508,562</u>	<u>\$ 92</u>	<u>\$ 19,985</u>	<u>\$ 11,594</u>	<u>\$ -</u>	<u>\$ 646,639</u>
Balance, December 31, 2025	<u>\$ 72,981</u>	<u>\$ 103,073</u>	<u>\$ 408</u>	<u>\$ 2,781</u>	<u>\$ 20,622</u>	<u>\$ 679,457</u>	<u>\$ 879,322</u>
<u>Cost</u>							
Balance, January 1, 2024	\$ 209,195	\$ 1,044,789	\$ 2,265	\$ 27,940	\$ 21,883	\$ 14,176	\$ 1,320,248
Reclassified to assets held for sale	(40,093)	(17,949)	-	-	-	-	(58,042)
Additions	4,920	13,310	-	2,282	9,735	50,558	80,805
Disposal of assets	-	(517,096)	(2,325)	(8,603)	(9,049)	-	(537,073)
Effect of exchange difference	6,713	62,115	60	444	96	280	69,708
Reclassifications	-	11,411	-	-	1,564	(12,975)	-
Balance, December 31, 2024	<u>\$ 180,735</u>	<u>\$ 596,580</u>	<u>\$ -</u>	<u>\$ 22,063</u>	<u>\$ 24,229</u>	<u>\$ 52,039</u>	<u>\$ 875,646</u>
<u>Accumulated depreciation and impairment</u>							
Balance, January 1, 2024	\$ 131,387	\$ 898,863	\$ 2,265	\$ 25,685	\$ 10,907	\$ -	\$ 1,069,107
Reclassified to assets held for sale	(40,076)	(17,361)	-	-	-	-	(57,437)
Depreciation	6,400	28,281	-	1,275	3,033	-	38,989
Disposal of assets	-	(493,428)	(2,325)	(8,566)	(8,806)	-	(513,125)
Effect of exchange difference	4,062	59,941	60	421	641	-	65,125
Balance, December 31, 2024	<u>\$ 101,773</u>	<u>\$ 476,296</u>	<u>\$ -</u>	<u>\$ 18,815</u>	<u>\$ 5,775</u>	<u>\$ -</u>	<u>\$ 602,659</u>
Balance, December 31, 2024	<u>\$ 78,962</u>	<u>\$ 120,284</u>	<u>\$ -</u>	<u>\$ 3,248</u>	<u>\$ 18,454</u>	<u>\$ 52,039</u>	<u>\$ 272,987</u>

The depreciation is calculated on a straight-line basis over the following estimated useful life:

Buildings	
Main building of the plant	20~30 years
Plant decoration	10 years
Others	3~5 years
Machinery and Equipment	2~10 years
Transportation Equipment	5 years
Office Equipment	3~6 years
Other Equipment	2~9.8 years
(2) Assets subject to operating leases	

	<u>Buildings</u>
<u>Cost</u>	
Balance, January 1, 2025	\$ -
Reclassified to assets held for sale	-
Effect of exchange difference	-
Balance, December 31, 2025	<u>\$ -</u>

<u>Accumulated depreciation and impairment</u>	
Balance, January 1, 2025	\$ -
Reclassified to assets held for sale	-
Depreciation	-
Effect of exchange difference	-
Balance, December 31, 2025	<u>\$ -</u>

Net, December 31, 2025 \$ -

<u>Cost</u>	
Balance, January 1, 2024	\$ 56,387
Reclassified to assets held for sale	(58,941)
Effect of exchange difference	<u>2,554</u>
Balance, December 31, 2024	<u>\$ -</u>

<u>Accumulated depreciation and impairment</u>	
Balance, January 1, 2024	\$ 50,027
Reclassified to assets held for sale	(54,594)
Depreciation	2,260
Effect of exchange difference	<u>2,307</u>
Balance, December 31, 2024	<u>\$ -</u>

Net, December 31, 2024 \$ -

The depreciation is calculated on a straight-line basis over the following estimated useful life:

Buildings	
Plant	12 years

XVII. Lease arrangements

(1) Right-of-use assets

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Carrying amounts		
Land	\$ 11,197	\$ 11,396
Buildings	106,505	128,380
Transportation Equipment	<u>681</u>	<u>700</u>
	<u>\$ 118,383</u>	<u>\$ 140,476</u>
	<u>2025</u>	<u>2024</u>
Additions to right-of-use assets	<u>\$ 2,610</u>	<u>\$ 118,263</u>
Reclassified to assets held for sale (Note13)	<u>\$ -</u>	<u>\$ 5,140</u>
Depreciation of right-of-use assets		
Land	\$ 256	\$ 406
Buildings	23,779	17,731
Machinery and Equipment	-	379
Transportation Equipment	408	233
Less: Discontinued Operations Segment	<u>-</u>	<u>(143)</u>
	<u>\$ 24,443</u>	<u>\$ 18,606</u>

Due to the early termination of lease contracts, which resulted in a decrease of NT\$11,786 thousand and NT\$12,105 thousand in the right-of-use assets and lease liabilities, respectively, the consolidated company had a lease modification benefit of NT\$319 thousand in 2024.

Except for the recognition of depreciation and reclassification to non-current assets held for sale, the consolidated company's right-of-use assets were not significantly subleased or impaired in 2025 and 2024.

(2) Lease liabilities

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Carrying amounts		
Current portion	<u>\$ 17,088</u>	<u>\$ 21,321</u>
Non-current portion	<u>\$ 93,013</u>	<u>\$ 109,228</u>
Ranges of discount rates for lease liabilities are as follows:		
	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Buildings	2.4%~4%	2.4%~4%
Transportation Equipment	2.575%~2.72%	2.575%

(3) Important leasing activities and terms

The consolidated company leases lands and buildings for the use of plants and offices with lease terms of 3 to 50 years. The consolidated company does not have priority purchase options to acquire the leasehold lands and buildings at the end of the lease terms.

(4) Other lease information

	<u>2025</u>	<u>2024</u>
Expenses relating to short-term leases	\$ <u>2,041</u>	\$ <u>2,250</u>
Total cash outflow for leases	(\$ <u>28,405</u>)	(\$ <u>21,550</u>)

The consolidated company decided to exempt the short-term leases of office equipment and transportation equipment and certain office equipment leases with low value. Therefore, the related right-of-use assets and lease liabilities for such leases are not recognized.

As of December 31, 2025 and 2024, all lease commitments signed by the consolidated company do not include lease agreements that commence after the balance sheet dates.

XVIII. Goodwill

	<u>2025</u>	<u>2024</u>
<u>Cost</u>		
Balance at January 1	\$ 9,051	\$ 9,051
Gain from business combinations of the year	<u>-</u>	<u>-</u>
Balance at December 31	\$ <u>9,051</u>	\$ <u>9,051</u>

The consolidated company's goodwill of NT\$9,051 thousand mainly derived from the control premium was generated from the acquisition of Jing Cheng Material Co., Ltd. on August 17, 2022. In conducting impairment testing, the goodwill is only related to a cash-generating unit of Jing Cheng Company. Therefore, the impairment of goodwill is evaluated by comparing the recoverable amount of the Jing Cheng Company with its carrying amount to determine whether impairment should be recognized.

2024

In estimating the impairment of goodwill for 2024 in the consolidated statements, the recoverable amount of goodwill was determined based on the value-in-use, and was calculated based on the cash flow estimation of future financial budgets approved by the management of the consolidated company, using an annual discount rate of 12.65% in 2024. The management's financial estimate for the cash-generating unit is longer than 5 years because the plant expansion is still processing during the financial forecast period and production is expected to start in 2026, and the financial forecast period will not become robust until 2032, so the financial forecast period for the cash flow is evaluated until 2032. For the period beyond that, it is assumed to be a going concern, and the growth rate during the going concern period is estimated to be 3.00%. Key assumptions used by management in developing future financial budgets, such as projected future operating revenues and earnings growth rates, are made with reference to historical financial information, including the subject company and sampling peer group, and are adjusted base on sales and market trends and operating decisions related to the cash-generating unit.

2025

In estimating the impairment of goodwill for 2025 in the consolidated statements, the recoverable amount of goodwill was determined based on the value-in-use, and was calculated based on the cash flow estimation of future financial budgets approved by the management of the consolidated company, using an annual discount rate of 11.53% in 2025. The management's financial estimate for the cash-generating unit is longer than 5 years because the plant expansion is still processing during the financial forecast period and production is expected to start in 2026, and the financial forecast period will not become robust until 2032, so the financial forecast period for the cash flow is evaluated

until 2032. For the period beyond that, it is assumed to be a going concern, and the growth rate during the going concern period is estimated to be 3.00%. Key assumptions used by management in developing future financial budgets, such as projected future operating revenues and earnings growth rates, are made with reference to historical financial information, including the subject company and sampling peer group, and are adjusted base on sales and market trends and operating decisions related to the cash-generating unit.

Through the evaluation, the recoverable amount of Jing Cheng Material Co., Ltd. for 2025 and 2024 was greater than the carrying amount, therefore, no impairment loss was recognized.

Management believes that any reasonably possible change in the critical assumptions underlying the recoverable amounts would not cause the total carrying amount of the cash-generating units to exceed the total recoverable amount.

XIX. OTHER INTANGIBLE ASSETS

	<u>Patents</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>			
Balance, January 1, 2025	\$ 223	\$ 25,941	\$ 26,164
Separately acquired	-	1,464	1,464
Disposal	-	(274)	(274)
Net exchange difference	<u>-</u>	<u>99</u>	<u>99</u>
Balance, December 31, 2025	<u>\$ 223</u>	<u>\$ 27,230</u>	<u>\$ 27,453</u>
<u>Accumulated amortization</u>			
Balance, January 1, 2025	\$ 223	\$ 25,171	\$ 25,394
Amortization	-	1,155	1,155
Disposal	-	(274)	(274)
Net exchange difference	<u>-</u>	<u>100</u>	<u>100</u>
Balance, December 31, 2025	<u>\$ 223</u>	<u>\$ 26,152</u>	<u>\$ 26,375</u>
Net, December 31, 2025	<u>\$ -</u>	<u>\$ 1,078</u>	<u>\$ 1,078</u>
<u>Cost</u>			
Balance, January 1, 2024	\$ 223	\$ 23,576	\$ 23,799
Separately acquired	-	1,689	1,689
Reclassified to assets held for sale	-	(127)	(127)
Net exchange difference	<u>-</u>	<u>803</u>	<u>803</u>
Balance, December 31, 2024	<u>\$ 223</u>	<u>\$ 25,941</u>	<u>\$ 26,164</u>

	<u>Patents</u>	<u>Others</u>	<u>Total</u>
<u>Accumulated</u>			
<u>amortization</u>			
Balance, January 1, 2024	\$ 223	\$ 23,528	\$ 23,751
Amortization	-	906	906
Reclassified to assets held for sale	-	(87)	(87)
Net exchange difference	-	824	824
Balance, December 31, 2024	<u>\$ 223</u>	<u>\$ 25,171</u>	<u>\$ 25,394</u>
Net, December 31, 2024	<u>\$ -</u>	<u>\$ 770</u>	<u>\$ 770</u>

Amortization of the above intangible assets with finite useful lives is recognized using the straight-line method over the following useful lives:

Patents	10 years
Other intangible assets	1~10 years

Summary of amortization by function:

	<u>2025</u>	<u>2024</u>
Operating costs	\$ 125	\$ 84
Sales and marketing	61	10
General and administrative	855	732
R&D expenses	<u>114</u>	<u>80</u>
	1,155	906
Less: Discontinued Operations Segment	<u>-</u>	<u>(19)</u>
	<u>\$ 1,155</u>	<u>\$ 887</u>

XX. OTHER ASSETS

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Current portion</u>		
Prepayments - current (1)	\$ 30,779	\$ 19,139
Other current assets		
Others	<u>1,404</u>	<u>1,192</u>
	<u>\$ 32,183</u>	<u>\$ 20,331</u>
<u>Non-current portion</u>		
Prepayment for equipment (2)	<u>\$ 33,608</u>	<u>\$ 83,365</u>
Refundable deposits (3) (Note38)	<u>23,310</u>	<u>17,030</u>
Other noncurrent assets		
Net defined benefit asset (Note 26)	17,008	14,742
Others	<u>3,450</u>	<u>3,450</u>
	<u>20,458</u>	<u>18,192</u>
	<u>\$ 77,376</u>	<u>\$ 118,587</u>

- (1) Prepayments - current
Prepayments of the Consolidated Company - Current mainly include retained tax credits of business tax or value-added tax and prepaid expenses, etc.
- (2) Prepayment for equipment - non-current
Prepayment for equipment - non-current of the consolidated company is the prepayment based on the procurement agreement when purchasing property, plant and equipment to produce goods or labor services.

(3) Refundable deposits

The balance as of December 31, 2025, consists primarily of a security deposit of NT\$6,800 thousand made in connection with an application for a payment order filed with the New Taipei District Court, and a pledge deposit of NT\$10,000 thousand as collateral for the long term loan for equipment financing from HOTAI FINANCE DEVELOPMENT CO., LTD.; the balance as of December 31, 2024, was mainly the pledge of NT\$10,500 thousand as collateral for the long term loan for equipment financing from Chailease Finance Co., Ltd.

XXI. Loans

(1) Short-term loans

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Secured loans</u> (Note 38)		
Loans from bank	\$ 45,000	\$ 30,000
<u>Unsecured loans</u>		
Line of credit	<u>110,000</u>	<u>80,000</u>
	<u>\$ 155,000</u>	<u>\$ 110,000</u>

Interest rate of revolving loans was 2.13%~2.6% and 2.13%~2.425% on December 31, 2025 and 2024.

Refer to Notes 38 for the consolidated company's pledge for short-term loans.

(2) Long-term loans

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Secured loans</u> (Note 38)		
Other loans - Chailease Finance Co., Ltd	\$ 105,576	\$ 47,164
Other loans - Hotai Finance Development Co., Ltd.	<u>48,002</u>	<u>-</u>
Subtotal	<u>153,578</u>	<u>47,164</u>
<u>Unsecured loans</u>		
Loans from bank - First Commercial Bank	352	4,521
Loans from bank - The Shanghai Commercial & Savings Bank, Ltd.	<u>15,000</u>	<u>25,000</u>
Subtotal	<u>15,352</u>	<u>29,521</u>
	168,930	76,685
Less: Current portion of long-term loans payable	(<u>94,244</u>)	(<u>61,333</u>)
	<u>\$ 74,686</u>	<u>\$ 15,352</u>

The consolidated company obtained newly appropriated loans amounting to NT\$120,000 thousand and NT\$50,000 thousand in 2025, with floating interest rates of 4.369% and fixed interest rates of 4.303%, respectively, which were amortized over both 24 months.

The consolidated company obtained newly appropriated loans amounting to NT\$30,000 thousand and NT\$70,000 thousand in 2024, with floating interest rates of 2.72% and fixed interest rates of 4.304%, respectively, which were amortized over 36 months and 18 months, respectively.

The consolidated company's borrowings amounting to NT\$168,930 thousand and NT\$76,685 thousand as of December 31, 2025 and 2024, respectively, with interest rates ranging from 2.575% to 4.369% and 2.575% to 4.304%, respectively, and the

principal and interest are amortized over 18 to 24 months and 18 to 60 months, respectively, from the date of the borrowings.

Refer to Note 38 for the consolidated company's pledge for long-term loans ◦

XXII CONVERTIBLE CORPORATE BONDS PAYABLE

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Domestic Secured Convertible		
Corporate Bonds	\$ 290,268	\$ 284,437
Less: Current portion	<u>-</u>	<u>-</u>
	<u>\$ 290,268</u>	<u>\$ 284,437</u>

The Company issued 3 thousand units of secured convertible corporate bonds denominated in New Taiwan dollars with 0% interest rate on August 15, 2024. The total principal was NT\$300,000 thousand, and the period of issuance was from August 15, 2024, to August 15, 2027.

Each unit of corporate bonds has the right to be converted into common shares of the Company at NT\$35 per share. The conversion period is from November 16, 2024 to August 15, 2027. If the corporate bonds meet the agreed conditions at the time, they will be converted at NT\$35 per share.

The convertible corporate bonds were issued from November 16, 2024 to July 6, 2027. If the closing price of the Company's common share exceeds the conversion price of the corporate bonds by 30% for 30 consecutive business days, the Company may repurchase the bonds within the following 30 business days. If the outstanding balance of the corporate bonds is less than 10% of the total face value, the Company may repurchase the bonds at any time thereafter.

These convertible corporate bonds consist of liability and equity components, and the equity component is expressed as capital reserve - share rights under equity. The effective interest rate initially recognized for the liability component was 2.05%.

Changes to master deed debt instrument are as below:

	<u>Amount</u>
Issue price, August 15, 2024 (net of transaction costs of NT\$2,500 thousand)	\$353,390
Derivatives of Redemption Rights	510
Equity component (net of transaction costs of NT\$500 thousand amortized to equity)	(<u>71,620</u>)
Liability component at issuance date (net of transaction costs of NT\$2,000 thousand amortized to liabilities)	282,280
Interest at effective interest rate of 2.05%	<u>2,157</u>
Liability component, December 31, 2024	284,437
Interest at effective interest rate of 2.05%	<u>5,831</u>
Liability component, December 31, 2025	<u>\$290,268</u>

Changes in the derivatives of redemption rights from August 15, 2024 (the issuance date of the first domestic secured convertible corporate bonds) to December 31, 2025 below:

	<u>August 15, 2024 to December 31, 2025</u>
Issuance date	\$ 510
Loss from changes in fair value	(<u>330</u>)
Balance, December 31, 2024	180
Loss from changes in fair value	(<u>150</u>)
Balance, December 31, 2025	<u>\$ 30</u>

Conversion options of NT\$71,620 thousand, classified as capital surplus, showed no movements during 2025 and 2024.

Refer to Note 38 for the consolidated company's pledge to issue convertible corporate bonds.

The holders of the first domestic secured convertible corporate bonds had not yet exercised their conversion rights until December 31, 2025 and 2024.

XXIII Accounts payable

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Accounts payable</u>		
Non-related parties - operating	\$ 4,642	\$ 4,270

Accounts payable

The average credit period for accounts payable ranges from 90 days to 150 days. The consolidated company has financial risk management policies to ensure that all accounts payable are repaid within the pre-agreed credit period.

XXIV Other Payables

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Salaries and incentive bonus	\$ 33,955	\$ 35,135
Payables for annual leave	3,013	2,954
Accounts Payable for Payables on equipment and construction	23,558	40,423
Payables for labor costs	1,691	1,686
Payables for auxiliary materials and consumables	8,439	11,280
Payables for Utility bills	4,469	4,758
Payables for subscription of restricted stocks	10,000	-
Others	15,917	17,453
	<u>\$ 101,042</u>	<u>\$ 113,689</u>

XXV. Provision for liability

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Current portion</u>		
Warranty (2)	\$ 2,239	\$ 1,446
<u>Non-current portion</u>		
Employee benefits (1)	\$ 683	\$ 674
Decommissioning and Restoration Obligations (3)	1,081	-
	<u>\$ 1,764</u>	<u>\$ 674</u>

	<u>Warranty</u>	<u>Decommissioning and Restoration Obligations</u>	<u>Total</u>
Balance, January 1, 2025	\$ 1,446	\$ -	\$ 1,446
Additions	751	1,081	1,832
Net exchange difference	42	-	42
Balance, December 31, 2025	<u>\$ 2,239</u>	<u>\$ 1,081</u>	<u>\$ 3,320</u>

- (1) Provision for liability of employee benefits is employee death benefits from the consolidated company. The employee pension plan adopted by the consolidated company is other long-term benefits plan and the pension is calculated based on the fixed pay when the employee dies.
- (2) Provision for warranty liabilities is based on the commodity sales contract and is the best estimate by the consolidated company's management on the outflow of future

economic benefits due to warranty obligations. The estimate is based on the historical warranty experience and adjusted due to concerns about new raw materials, changes in process or other matters that affect product quality.

- (3) Under the terms of the lease agreement, the consolidated company is required to restore the leased factory to its original condition at the end of the lease term. When the obligation to restore the property under the lease agreement arises, the consolidated company's management recognizes a provision for liability based on the present value of the best estimate of the future economic benefits to be expended. This estimate is reviewed periodically and adjusted based on the factory's usage.

XXVI Post-employment benefits plans

- (1) Defined contribution plans

The Company and Jing Cheng Company in the consolidated company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees hired by the consolidated company's subsidiaries in mainland China area adopt pension plans operated by the local governments. The subsidiaries shall allocate specific ratio of salary costs to the pension plans to provide funds to the plans. The obligation of the consolidated company to these government-operated pension plans is limited to allocating a specific amount.

- (2) Defined benefit plan

The pension plan under the Labor Pension Act (LPA) adopted by the Company of the consolidated company is the defined benefit plan. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, which equals to 2% of each employee' total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contributes an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the consolidated company has no right to influence the investment management strategy.

The amounts included in the consolidated balance sheets in respect of the defined benefit plan are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Defined benefit obligation	\$ 2,479	\$ 5,070
Fair value of plan assets	(<u>19,487</u>)	(<u>19,812</u>)
Net defined benefit asset	(<u>\$ 17,008</u>)	(<u>\$ 14,742</u>)

Movements in net defined benefit liability (asset) are as follows:

	Present value of funded defined benefit obligation	Fair value of plan assets	Net defined benefit Liabilities (assets)
January 1, 2024	<u>\$ 15,940</u>	<u>(\$ 18,125)</u>	<u>(\$ 2,185)</u>
Service cost			
Current service cost	252	-	252
Settlement of losses (gain)	(17)	-	(17)
Interest expense (income)	<u>199</u>	<u>(227)</u>	<u>(28)</u>
Recognized in profit or loss	<u>434</u>	<u>(227)</u>	<u>207</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,607)	(1,607)
Actuarial (gain) loss - changes in financial assumptions	(186)	-	(186)
Actuarial (gain) loss - experience adjustments	<u>(10,971)</u>	<u>-</u>	<u>(10,971)</u>
Recognized in OCI	<u>(11,157)</u>	<u>(1,607)</u>	<u>(12,764)</u>
Planned asset payment amount	<u>(147)</u>	<u>147</u>	<u>-</u>
December 31, 2024	<u>\$ 5,070</u>	<u>(\$ 19,812)</u>	<u>(\$ 14,742)</u>
January 1, 2025	<u>\$ 5,070</u>	<u>(\$ 19,812)</u>	<u>(\$ 14,742)</u>
Current service cost			
Settlement of losses (gain)	(351)	-	(351)
Interest expense (income)	<u>63</u>	<u>(302)</u>	<u>(239)</u>
Recognized in profit or loss	<u>(288)</u>	<u>(302)</u>	<u>(590)</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,378)	(1,378)
Actuarial (gain) loss - changes in financial assumptions	90	-	90
Actuarial (gain) loss - experience adjustments	<u>(388)</u>	<u>-</u>	<u>(388)</u>
Recognized in OCI	<u>(298)</u>	<u>(1,378)</u>	<u>(1,676)</u>
Planned asset payment amount	<u>(2,005)</u>	<u>2,005</u>	<u>-</u>
December 31, 2025	<u>\$ 2,479</u>	<u>(\$ 19,487)</u>	<u>(\$ 17,008)</u>

Amount of defined benefit plan recognized in the profit and loss is summarized by function as follow:

	<u>2025</u>	<u>2024</u>
Operating costs	\$ -	\$ -
Sales and marketing	-	-
General and administrative	(590)	207
R&D expenses	<u>-</u>	<u>-</u>
	<u>(\$ 590)</u>	<u>\$ 207</u>

Due to the pension plans under the Labor Standards Act, the consolidated company is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the consolidated company's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate of government bonds will increase the present value of the defined benefit obligation. However, the return on the

debt investment through the plan assets will also increase, and the increases will partially offset the effect the net defined benefit liability.

- Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

	December 31, 2025		December 31, 2024	
Discount rate	1.375%		1.625%	
Expected salary increase rate	2.5%		2.5%	
Disability rate	Based on 10% of expected mortality rate		Based on 10% of expected mortality rate	
Mortality rate	Based on Taiwan Life Insurance Industry 6th Experience Life Table		Based on Taiwan Life Insurance Industry 6th Experience Life Table	
Turnover rate	<u>Ages</u> <u>Turnover rate</u>		<u>Ages</u> <u>Turnover rate</u>	
	20 years old	9.0%	20 years old	9.0%
	25 years old	7.0%	25 years old	7.0%
	30 years old	6.0%	30 years old	6.0%
	35 years old	4.0%	35 years old	4.0%
	40 years old	1.0%	40 years old	1.0%
	45 years old	-	45 years old	-
	50 years old	-	50 years old	-
	55 years old	-	55 years old	-
60 years old	-	60 years old	-	

	December 31, 2025		December 31, 2024	
	<u>Ages</u>	<u>Voluntary retirement rate</u>	<u>Ages</u>	<u>Voluntary retirement rate</u>
Voluntary retirement rate (Z is the earliest retirement age for specific employee)	Z	15.0%	Z	15.0%
	Z+1 ~ 64	3.0%	Z+1 ~ 64	3.0%
	65	100%	65	100%

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

	December 31, 2025	December 31, 2024
Discount rate		
Increase 0.25%	\$ _____ -	(\$ _____ 93)
Reduce 0.25%	\$ _____ -	\$ _____ 97
Expected salary increase rate		
Increase 0.25%	\$ _____ -	\$ _____ 94
Reduce 0.25%	\$ _____ -	(\$ _____ 91)

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Amount expected to be allocated within a year	\$ <u> -</u>	\$ <u> -</u>
The average duration of the defined benefit obligation	0 years	12 years

XXVII. Equity

(1) Capital stock

Ordinary shares

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>102,662</u>	<u>96,962</u>
Shares issued	<u>\$ 1,026,622</u>	<u>\$ 969,622</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

The capital reserved for the issuance of convertible corporate bond and employee stock option is 20,000 thousand shares.

On June 26, 2023, the Board of Directors resolved to issue 2,300 thousand shares of common stock at a par value of NT\$10 per share through a cash offering by private placement, at a premium of NT\$25 per share, resulting in a paid-in capital of NT\$830,422 thousand. The capital increase date is July 11, 2023 by the resolution of the Board of Directors. The registration for alternation of above capital increase was approved by the Ministry of Economic Affairs on August 17, 2023. The rights and obligations of the privately placed common stocks are the same as other common stocks issued, except that they are subject to restrictions on liquidity and transferability under the Securities and Exchange Act, and may not be listed or traded until three years from the date of delivery of the stock certificates and the completion of the supplemental public offering procedures.

On March 13, 2024, the Board of Directors resolved to issue 12,000 thousand shares through a capital increase in 2024, at NT\$25 per share, resulting in a paid-in capital of NT\$300,000 thousand. The above capital increase was notified to the Securities and Futures Bureau of the FSC on May 23, 2024, and became effective. The capital increase date is July 10, 2024, by the resolution of the Board of Directors, and the full amount was received on July 10, 2024. The registration for alternation of the above capital increase by issuing common stock was approved by the Ministry of Economic Affairs on August 22, 2024.

On August 9, 2024, the Board of Directors resolved to issue 920 thousand shares of restricted common shares for employees at a par value of NT\$10 per share, and issued at NT\$10 per share, resulting in a paid-in capital of NT\$969,622 thousand. The capital increase date is September 2, 2024 by the resolution of the Board of Directors. The registration for alternation of above restricted common shares for employees was approved by the Ministry of Economic Affairs on October 15, 2024.

On June 24, 2025, the Board of Directors resolved to issue 1,080 thousand shares of restricted common shares for employees, of which 1,000 thousand shares were actually subscribed by employees at NT\$10 per share, resulting in a paid in capital of NT\$979,622 thousand. The capital increase date is July 9, 2025, by the resolution of the Board of Directors. The registration for the alternation of the above restricted

common shares for employees was approved by the Ministry of Economic Affairs on October 15, 2025.

As the employees failed to meet the vesting conditions, the Company withdrew 300 thousand shares issued in 2025 in accordance with the Issuance Regulations. 75 thousand shares were subject to a capital reduction of NT\$750 thousand, with July 10, 2025, designated as the cash reduction date pursuant to a resolution made by the Board of Directors on August 6, 2025. The registration for the alternation was approved by the Ministry of Economic Affairs on October 15, 2025. The other 225 thousand shares were subject to a capital reduction of NT\$2,250 thousand, with November 7, 2025, designated as the cash reduction date pursuant to a resolution made by the Board of Directors on November 5, 2025. The registration for the alternation was approved by the Ministry of Economic Affairs on November 24, 2025.

On November 5, 2025, the Board of Directors resolved to issue 5,000 thousand shares of common stock at a par value of NT\$10 per share through a cash offering by private placement, at a premium of NT\$20 per share and with cash received of NT\$100,000 thousand, resulting in a paid in capital of NT\$1,026,622 thousand. The capital increase date is November 20, 2025, by the resolution of the Board of Directors. The registration for the alternation of the above capital increase was approved by the Ministry of Economic Affairs on December 23, 2025. The rights and obligations of the privately placed common stocks are the same as other common stocks issued, except that they are subject to restrictions on liquidity and transferability under the Securities and Exchange Act, and may not be listed or traded until three years from the date of delivery of the stock certificates and the completion of the supplemental public offering procedures.

(2) Capital reserve

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>May be used to offset a deficit, distributed as cash dividends or transferred to share capital</u>		
(1)		
Issuance of common shares	\$ 577,350	\$ 700,868
Treasury share transactions	2,135	2,135
Expiry of employ stock option	-	17,860
<u>Shall not be used for any purpose</u>		
Restricted shares for employees	22,555	46,541
Employee Stock Options	4,430	4,430
Stock Options	<u>71,620</u>	<u>71,620</u>
	<u>\$ 678,090</u>	<u>\$ 843,454</u>

1. The capital reserve may be used to offset a deficit and, when there is no deficit, used to distributed as cash dividends or transferred to share capital. The transfer to share capital is limited to a certain percentage of the paid-in capital each year.

(3) Retained earnings and dividend policy

According to the retained earnings policy in Company's Articles of Incorporation, if there is a surplus in the annual financial statements, after paying all taxes and compensating for losses from previous years according to the law, 10% of the surplus shall be allocated as a statutory reserve. However, if the statutory reserve has reached the total amount of paid-in capital, no further allocation is required. Afterward,

special reserves shall be allocated or reversed in accordance with the business needs, regulations or the requirements of the competent authority. The remaining surplus plus the accumulated unappropriated earnings shall be prepared by the Board of Directors and submitted to shareholder’s meeting for resolution. For the policies on the distribution of employees’ compensation and remuneration of directors and supervisors after the amendment, refer to “Employees’ compensation and remuneration of directors and supervisors” in Note 29 (8).

The Company’s dividend distribution policy should take shareholders’ equity as the greatest consideration and may distribute in form of stock or cash dividends after considering the company’s competitiveness in current and future domestic and foreign industries, investment environment, and capital needs. As the Company is currently in the growth stage, in consideration of the long-term financial arrangement, the total amount of dividends to be issued annually shall not be less than 30% of the current year’s net profit after tax. The percentage of cash dividends shall not be less than 20% of the total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company’s paid-in capital. The legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company’s paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company Articles of Incorporation, when allocating special reserve from the net deduction of other interests accumulated in the previous period and unappropriated earnings in the previous period is insufficient, net profit after tax and others are added to the unappropriated earnings of the current period for allocation.

The Company held a regular shareholders meeting on June 11, 2025, June 18, 2024, and the resolution approved the loss compensation proposal for 2024 and 2023 as follows:

	<u>2024</u>	<u>2023</u>
Legal reserves to cover accumulated deficit	\$ -	\$ 6,913
Special reserve to cover accumulated deficit	-	62,223
Capital surplus - expired employee stock options used to offset accumulated deficits	17,860	-
Capital reserve - Ordinary shares issued at a premium to cover accumulated deficit	<u>184,024</u>	<u>132,295</u>
	<u>\$ 201,884</u>	<u>\$ 201,431</u>

The 2025 deficit compensation proposal is subject to the resolution of the Board of Directors expected to be held in April 2026 and will be submitted for approval at the Annual General Meeting of shareholders scheduled for June 9, 2026.

(4) Special reserve

	<u>2025</u>	<u>2024</u>
Balance at January 1	\$ -	\$ 62,223
Make up for losses	<u>-</u>	<u>(62,223)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ -</u>

Upon the distribution of earnings, a special reserve should be provided for the difference between the net deduction of other shareholders' equities recorded at the end of the reporting period and the special reserve allocated for when the initial application of IFRSs. When the net deduction of other shareholders' equities is reversed subsequently, the reversal part may be reversed to the special reserve.

(5) Others

1. Exchange differences resulting from translating the financial statements of foreign operations

	<u>2025</u>	<u>2024</u>
Balance at January 1	(\$ 126,412)	(\$ 156,329)
Generated in the current period		
Exchange difference of foreign operations	2,470	37,396
Income tax related to exchange difference of foreign operations	(<u>494</u>)	(<u>7,479</u>)
Balance at December 31	<u>(\$ 124,436)</u>	<u>(\$ 126,412)</u>

2. Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income

	<u>Before tax</u>	<u>Income tax</u>	<u>Net of tax</u>
Balance at January 1, 2024	\$ -	\$ -	\$ -
Generated in the current period			
Unrealized gains (losses)			
Equity instruments	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Balance at January 1, 2025	\$ -	\$ -	\$ -
Generated in the current period			
Unrealized gains (losses)			
Equity instruments	(<u>20,400</u>)	<u>4,080</u>	(<u>16,320</u>)
Other comprehensive income for the year	(<u>20,400</u>)	<u>4,080</u>	(<u>16,320</u>)
Balance at December 31, 2025	<u>(\$ 20,400)</u>	<u>\$ 4,080</u>	<u>(\$ 16,320)</u>

3. Unearned employee benefits

Refer to Note 32 for the description for the issuing of new shares under employee share rights restrictions determined in the shareholders' meeting on June 13, 2023.

	<u>2025</u>	<u>2024</u>
Balance at January 1	(\$ 30,191)	(\$ 23,876)
Retirement and buyback during the year – vested	(5,550)	(23,966)
Retirement and buyback during the year – unvested	3,092	-
Reversal of share-based payment expenses	5,938	-
Current Issuance	(5,938)	-
Share-based payment	<u>16,864</u>	<u>17,651</u>
Balance at December 31	<u>(\$ 15,785)</u>	<u>(\$ 30,191)</u>

XXVIII Revenue

(1) Customer contracts

1. PVD coating products

The consolidated company's revenue is generated from the sputter coating of electronic components according to the specification agreed upon between the customers and the Company. The customers provide the materials and obtain the goods' control during the service, thus the service contracts of the consolidated company are gradually recognized as revenue. The consolidated company measures the progress based on the produced or delivered quantity.

2. Silicon carbide products

Silicon carbide products are sold to downstream operators in the silicon carbide industry, and the consolidated company sells them at prices determined by contracts, quotations or orders.

(2) Disaggregation of revenue

	<u>2025</u>	<u>2024</u>
Income from customer contracts		
PVD coating products	\$ 313,882	\$ 368,171
Silicon carbide products	1,201	561
Others	4,819	7
Less: Discontinued Operations Segment (Note13)	-	(14,754)
	<u>\$ 319,902</u>	<u>\$ 353,985</u>

(3) Balance from contracts

	<u>December 31, 2025</u>	<u>December 31, 2024</u>	<u>January 1, 2024</u>
Accounts Receivable (Note 11)	<u>\$ 235,470</u>	<u>\$ 246,227</u>	<u>\$ 279,231</u>
Contract liabilities - current			
Product Sales	<u>\$ 470</u>	<u>\$ 6</u>	<u>\$ -</u>

XXIX. Net loss relating to continuing operations

(1)	Interest income		
		<u>2025</u>	<u>2024</u>
	Interest income		
	Bank deposits	\$ 4,765	\$ 9,244
	Financial assets at amortized cost	4,763	5,598
	Less: Discontinued Operations Segment(Note 13)	(<u>243</u>)	(<u>1,133</u>)
		<u>\$ 9,285</u>	<u>\$ 13,709</u>
(2)	Other income		
		<u>2025</u>	<u>2024</u>
	Income from lease	\$ 5,428	\$ 5,579
	Income from government grants(Note 33)	622	596
	Dividend income	1,324	-
	Less: Discontinued Operations Segment(Note 13)	(<u>5,428</u>)	(<u>5,579</u>)
		<u>\$ 1,946</u>	<u>\$ 596</u>
(3)	Other gains and losses		
		<u>2025</u>	<u>2024</u>
	Net foreign exchange gains(losses)	(\$ 2,458)	\$ 5,086
	Gains(losses) from disposal of property, plant and equipment	10	(2,974)
	Lease Modification Benefit	-	319
	Profit or loss on financial assets Gain (loss) from designated financial assets at fair value through P/L	45,699	(330)
	Others	(1,982)	139
	Less: Discontinued Operations Segment(Note 13)	(<u>594</u>)	<u>551</u>
		<u>\$ 40,675</u>	<u>\$ 2,791</u>
(4)	Finance costs		
		<u>2025</u>	<u>2024</u>
	Bank loans interest	\$ 8,367	\$ 5,872
	Lease liabilities interest	3,247	1,989
	Convertible Bond Interest	5,831	2,157
		<u>\$ 17,445</u>	<u>\$ 10,018</u>
	The relevant information on interest capitalization is as follows:		
		<u>2025</u>	<u>2024</u>
	Capitalized Interest Amount	\$ 806	\$ 271
	Interest capitalization rate	3.20%~5.81%	1.47%~2.96%

(5) Depreciation and amortization

	<u>2025</u>	<u>2024</u>
Property, Plant and Equipment	\$ 40,533	\$ 41,249
Right-of-use assets	24,443	18,749
Intangible Assets	<u>1,155</u>	<u>906</u>
	66,131	60,904
Less: Discontinued Operations Segment	<u>-</u>	(<u>6,458</u>)
Total	<u>\$ 66,131</u>	<u>\$ 54,446</u>

An analysis of depreciation by function

Operating costs	\$ 46,192	\$ 44,847
Operating expenses	18,784	12,911
Non-operating expenses	<u>-</u>	<u>2,240</u>
	64,976	59,998

Less: Discontinued Operations Segment	<u>-</u>	(<u>6,439</u>)
	<u>\$ 64,976</u>	<u>\$ 53,559</u>

An analysis of amortization by function

Operating costs	\$ 125	\$ 84
Operating expenses	<u>1,030</u>	<u>822</u>
	1,155	906

Less: Discontinued Operations Segment	<u>-</u>	(<u>19</u>)
	<u>\$ 1,155</u>	<u>\$ 887</u>

Refer to Note 19 for information on the amortization of intangible assets allocated to individual line items.

(6) Research and development expenses immediately recognized as fee

	<u>2025</u>	<u>2024</u>
Research and development expenses	<u>\$ 53,118</u>	<u>\$ 70,157</u>

(7) Employee benefits expense

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	<u>\$ 190,753</u>	<u>\$ 253,533</u>
Post-employment benefits		
Defined contribution plans	3,595	2,892
Defined benefit plan (Note 26)	(<u>590</u>)	<u>207</u>
	<u>3,005</u>	<u>3,099</u>
Equity-settled of share-based payments (Note 32)	10,926	19,951
Other employee benefits	<u>9</u>	(<u>54</u>)
	<u>10,935</u>	<u>19,897</u>
Total employee benefits expense	204,693	276,529
Less: Discontinued Operations Segment	(<u>535</u>)	(<u>5,989</u>)
	<u>\$ 204,158</u>	<u>\$ 270,540</u>

	<u>2025</u>	<u>2024</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 128,679	\$ 177,491
Operating expenses	<u>76,014</u>	<u>99,038</u>
	204,693	276,529
Less: Discontinued Operations Segment	(<u>535</u>)	(<u>5,989</u>)
	<u>\$ 204,158</u>	<u>\$ 270,540</u>

(8) Employees' compensation and directors' remuneration

The Company distributed employees' compensation and directors' remuneration at the rates between 1% to 10% and no higher than 3% of the net profit before tax for the year respectively according to the articles of incorporation. Pursuant to the amendment to the Securities and Exchange Act in August 2024, the Company's shareholders' meeting in 2025 resolved to amend the articles of incorporation to stipulate that 0.5% of the employee's compensation allocated for the current year shall be designated as remuneration for entry-level employees.

The Company incurred accumulated losses for fiscal year 2025. It is expected that the Board of Directors will resolve the distribution of employee and director remuneration in April 2026.

As a result of the accumulated losses at 2024. The Company's Board of Directors resolved on March 12, 2025, not to distribute employees' compensation and directors' compensation.

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

The actual allocated amount of employees' compensation and directors' remuneration in 2024 and 2023 are the same as the recognized amount in 2024 and 2023 consolidated financial statements.

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

(9) Gain or loss on foreign currency exchange

	<u>2025</u>	<u>2024</u>
Foreign exchange gains	\$ 6,855	\$ 8,115
Foreign exchange losses	(9,313)	(3,029)
Less: Discontinued Operations Segment	<u>-</u>	<u>2</u>
Net profit(losses)	<u>(\$ 2,458)</u>	<u>\$ 5,088</u>

XXX. Income taxes relating to continuing operations

(1) Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	<u>2025</u>	<u>2024</u>
Current income tax		
Generated in current year	\$ 26,833	\$ 44,391
Adjusted in previous year	<u>1,303</u>	<u>1,464</u>
	<u>28,136</u>	<u>45,855</u>
Deferred income tax		
Generated in current year	<u>674</u>	<u>1,142</u>
Income tax expenses recognized in profit or loss	<u>\$ 28,810</u>	<u>\$ 46,997</u>

A reconciliation of accounting profit and current income tax expenses is as follows:

	<u>2025</u>	<u>2024</u>
Pre-tax Income (Loss) from Continuing Operations	(<u>\$ 122,603</u>)	(<u>\$ 138,710</u>)
Income Tax Expense (Benefit) on Pre-tax Income at Statutory Tax Rate		
Income tax benefit calculated on loss before tax at the statutory rate	(\$ 23,550)	(\$ 33,092)
Items to be Added to Taxable Income		
Levy for unappropriated earnings	4,027	30,258
Unrecognized temporary differences	18,771	21,709
Unrecognized loss carryforwards	28,259	26,658
Adjustments for prior years' income tax	<u>1,303</u>	<u>1,464</u>
Income tax expenses recognized in profit or loss	<u>\$ 28,810</u>	<u>\$ 46,997</u>
(2) Income tax recognized in other comprehensive income	<u>2025</u>	<u>2024</u>
<u>Deferred income tax</u>		
Generated in current year		
Exchange of foreign operations	\$ 494	\$ 7,479
Actuarial gains and losses on defined benefit plan	335	2,553
Unrealized valuation gains (losses) on financial assets at fair value through profit or loss	(<u>4,080</u>)	<u>-</u>
Income tax recognized in other comprehensive income	(<u>\$ 3,251</u>)	<u>\$ 10,032</u>
(3) Current income tax assets and liabilities	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current income tax assets		
Tax refund receivables	<u>\$ 9,504</u>	<u>\$ 9,925</u>
Current tax liabilities		
Income tax payable	<u>\$ 3,328</u>	<u>\$ 1,922</u>

(4) Deferred tax assets and liabilities

The changes of deferred tax assets and deferred tax liabilities are as follows:

2025

	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Exchange difference	Balance at December 31
<u>Deferred tax assets</u>					
Temporary differences					
Property, Plant and Equipment	\$ 282	(\$ 190)	\$ -	\$ -	\$ 92
Exchange difference of foreign operations	31,602	-	(494)	-	31,108
Others	<u>556</u>	<u>2,674</u>	<u>4,080</u>	<u>-</u>	<u>7,310</u>
	<u>\$ 32,440</u>	<u>\$ 2,484</u>	<u>\$ 3,586</u>	<u>\$ -</u>	<u>\$ 38,510</u>

<u>Deferred tax liabilities</u>					
Temporary differences					
Others	(\$ 279)	(\$ 3,158)	(\$ 335)	\$ -	(\$ 3,772)

2024

	Balance at January 1	Recognized in profit or loss	Recognized in OCI	Exchange difference	Balance at December 31
<u>Deferred tax assets</u>					
Temporary differences					
Property, Plant and Equipment	\$ 479	(\$ 197)	\$ -	\$ -	\$ 282
Exchange difference of foreign operations	39,081	-	(7,479)	-	31,602
Others	<u>3,939</u>	<u>(867)</u>	<u>(2,553)</u>	<u>37</u>	<u>556</u>
	<u>\$ 43,499</u>	<u>(\$ 1,064)</u>	<u>(\$ 10,032)</u>	<u>\$ 37</u>	<u>\$ 32,440</u>

<u>Deferred tax liabilities</u>					
Temporary differences					
Others	(\$ 201)	(\$ 78)	\$ -	\$ -	(\$ 279)

(5) Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Loss carryforwards		
Expired in 2029	2,916	3,207
Expired in 2030	23,389	-
Expired in 2032	5,744	5,744
Expired in 2033	28,056	28,385
Expired in 2034	100,681	101,164
Expired in 2035	<u>113,034</u>	<u>-</u>
	<u>\$ 273,820</u>	<u>\$ 138,500</u>

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Deductible temporary differences		
Debt waiver not been proven	\$ 17,391	\$ 17,391
Others	<u>51,056</u>	<u>31,253</u>
	<u>\$ 68,447</u>	<u>\$ 48,644</u>

- (6) Total temporary differences relating to the investment and not recognized as deferred tax liabilities

As of December 31, 2025 and 2024, temporary taxable differences associated with investments in subsidiaries, which were not recognized as deferred tax liabilities, amounted to NT\$79,023 thousand and NT\$106,224 thousand, respectively.

- (7) Income tax examination

The income tax settlement and filing cases of the Company and its subsidiary, Jing Cheng Company, for previous years have been approved by the tax authorities up to the year 2023.

XXXI. Loss per share

	<u>2025</u>	<u>(In New Taiwan Dollar)</u> <u>2024</u>
Basic earnings per share (loss)		
From continuing operations	(\$ 1.58)	(\$ 2.09)
From Discontinued Operations	<u>0.02</u>	<u>(0.30)</u>
Total basic loss per share	<u>(\$ 1.56)</u>	<u>(\$ 2.39)</u>
Diluted earnings per share (loss)		
From continuing operations	(\$ 1.58)	(\$ 2.09)
From Discontinued Operations	<u>0.02</u>	<u>(0.30)</u>
Total basic loss per share	<u>(\$ 1.56)</u>	<u>(\$ 2.39)</u>

The loss per share and the weighted average number of ordinary shares used in the computation of loss per share are as follows:

Net Loss for the Year

	<u>2025</u>	<u>2024</u>
Net loss attributable to owners of the Company	(\$ 149,393)	(\$ 212,095)
Less: Net loss from discontinued operations for the calculation of earnings per share (loss) from discontinued operations	<u>2,020</u>	<u>(26,388)</u>
Net Loss for the calculation of basic loss per share from continuing operations	(151,413)	(185,707)

	<u>2025</u>	<u>2024</u>
Effect of potential dilutive ordinary shares:		
After-tax Interest on convertible bonds	\$ -	\$ -
New Shares under employee share rights restrictions	<u>-</u>	<u>-</u>
Net loss for the calculation of diluted loss per share from continuing operations	(<u>\$ 151,413</u>)	(<u>\$ 185,707</u>)
<u>Shares</u>		(In Thousands)
	<u>2025</u>	<u>2024</u>
Weighted average number of ordinary shares used to calculate for basic loss per share	95,987	88,835
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	-
New shares under employee share rights restrictions	<u>-</u>	<u>-</u>
Weighted average number of common shares used in the computation of diluted Loss Per Share	<u>95,987</u>	<u>88,835</u>

Because it was a net loss for 2025 and 2024, which had an anti-dilutive effect, the convertible bonds and new shares under employee share rights restrictions were not included in the calculation of diluted loss per share.

XXXII. Share-Based Payments Agreement

(1) New shares under employee share rights restrictions

At the regular shareholders' meeting held on June 13, 2023, the Company resolved to issue 3,000 thousand restricted common shares for employees at NT\$10 per share, with a par value of NT\$10 per share and a total par value of NT\$30,000 thousand. The issue was notified to the Financial Supervision Commission on July 11, 2023 and was approved by No. Financial-Supervisory-Securities-Corporate-1120347784. The Board of Directors approved the actual issuance of 1,000 thousand shares and 920 thousand shares and 1,000 thousand shares on August 9, 2023 (the granted date) and August 9, 2024 (the granted date) and June 24, 2025 (the granted date), respectively. The capital increase dates of restricted shares for employees are September 1, 2023 and September 2, 2024 and June 9, 2025 respectively, and the fair value of the shares on the grant date was NT\$40.1 and NT\$36.05 and NT\$15.55 per share, respectively. Employees granted new restricted shares for employees will receive 25% of these shares if they have been employed for 1 year from the granted date, 25% of these shares if they have been employed for 2 years from the granted date, 25% of these shares if they have been employed for 3 years from the granted date, and 25% of these shares if they have been employed for 4 years from the granted date.

The changes in accounting items related to the above new restricted shares for employees for 2025 and 2024 are summarized below:

	Common Stock Capital		Capital Reserve - Restricted Shares for Employees	Capital Reserve - Share Premium	Other equity - unearned employee benefit
	Non-vested	Vested			
Balance at January 1, 2025	\$ 16,700	\$ 2,500	\$ 46,541	\$ 7,525	(\$ 30,191)
Granted date of restricted shares for employees – June 24, 2025	10,000	-	(4,450)	-	(5,550)
Vesting Date - September 1, 2025 and September 2, 2025	(3,800)	3,800	(10,506)	10,506	-
Retirement of restricted stocks during the period.	(3,000)	-	(9,030)	-	3,092
Recognition (Reversal) of Share-based Payment Compensation Cost	-	-	-	-	16,864
Balance at December 31, 2025	<u>\$ 19,900</u>	<u>\$ 6,300</u>	<u>\$ 22,555</u>	<u>\$ 18,031</u>	<u>(\$ 15,785)</u>

	Common Stock Capital		Capital Reserve - Restricted Shares for Employees	Capital Reserve - Share Premium	Other equity - unearned employee benefit
	Non-vested	Vested			
Balance at January 1, 2024	\$ 10,000	\$ -	\$ 30,100	\$ -	(\$ 23,876)
Granted date of restricted shares for employees - August 9, 2023	9,200	-	23,966	-	(23,966)
Recognition of Share-based Payment Compensation Cost	-	-	-	-	17,651
Vesting Date - September 1, 2024	(2,500)	2,500	(7,525)	7,525	-
Balance at December 31, 2024	<u>\$ 16,700</u>	<u>\$ 2,500</u>	<u>\$ 46,541</u>	<u>\$ 7,525</u>	<u>(\$ 30,191)</u>

The restricted rights for employees who have not met the vesting conditions for the granted new shares are as follows:

1. Employees may not sell, mortgage, assign, gift, pledge, or otherwise dispose of the new shares under employee share rights restrictions until the vesting conditions have been fulfilled after they granted the new shares, except by inheritance.
2. Attendance, proposals, speeches, and voting rights at stockholders' meetings are governed by trust and custody agreements.
3. In addition to the restrictions set forth in the preceding paragraph due to the trust agreement, the other rights of the new shares under employee share rights restrictions granted to them under the Plan, including but not limited to the right to receive cash dividends, stock dividends, and capital surplus, the right to subscribe for cash capital increases, and any rights and interests allocated to employees as a result of mergers, demergers, share conversions, and other legal events, are the same as the Company's outstanding shares of common stock, until the vesting conditions have been fulfilled.
4. If, during the vesting period, the Company reduces capital other than through legal capital reduction, such as cash reduction, the new shares under employee share rights restrictions shall be canceled in accordance with the ratio of capital reduction. In the case of a cash capital reduction, the cash refunded shall be deposited in a trust and delivered to the employees only after the vesting conditions and period have been met; however, if the vesting conditions have not been met by the end of the period, the Company will withdraw the cash.

(2) Capital increase retained for employee subscription

On March 13, 2024, the Board of Directors resolved to increase capital by cash and reserved 15% of the total amount of new shares for employees in accordance with the Company Act. The granted group includes employees of the Company and its subsidiaries who meet certain criteria. In June 2024, the Company granted 460 thousand shares of employ stock option at NT\$25 per share.

The Company recognized NT\$2,300 thousand as compensation cost for capital increase retained for employee subscription in 2024.

XXXIII. Government grants

The consolidated company received a government grant for land amounting to NT\$21,450 thousand (RMB 4,694 thousand) and a government grant for the importation of machinery and equipment amounting to NT\$693 thousand (RMB 136 thousand) for investments in the establishment of plants located in the Anji Economic Development Zone, Zhejiang Province, and the Jurong Economic and Technological Development Zone, Jiangsu Province, in 2014 and 2009, respectively. These amounts were recognized as long-term deferred revenue and are being recognized in profit or loss over the useful lives of the related assets. As the merged company sold part of its land use rights in October 2021 and August 2014, a total of NT\$14,159 thousand (RMB 3,014 thousand) of the related deferred revenue has been transferred to disposal gains.

As of December 31, 2025 and 2024, the remaining balances not yet recognized in profit or loss were NT\$3,862 thousand (RMB 859 thousand) and NT\$3,979 thousand (RMB 988 thousand), respectively. The amounts recognized in profit or loss were NT\$129 thousand (RMB 29 thousand) and NT\$131 thousand (RMB 30 thousand) for 2025 and 2024, respectively.

XXXIV. Information on cash flows

(1) Non-cash transactions

Unless otherwise specified in the notes, the non-cash investing and financing activities of the consolidated company in 2025 and 2024 were as follows:

1. The consolidated company changes in payables on equipment related to the acquisition of PP&E amounted to a decrease of NT\$16,865 thousand and an increase of NT\$37,636 thousand for the years 2025 and 2024, respectively.
2. Prepayments for equipment are reclassified to property, plant and equipment in 2025 with NT\$86,350 thousand.

(2) Changes in liabilities from financing activities
2025

	January 1, 2025	Cash Flow	Non-cash changes			December 31, 2025
			New lease	Net loss (gain) from exchange	Interest expenses	
Short-term loans	\$ 110,000	\$ 45,000	\$ -	\$ -	\$ -	\$ 155,000
Long-term loan and current portion of long-term loans payable	76,685	92,245	-	-	-	168,930
Corporate Bonds Payable	284,437	-	-	-	5,831	290,268
Lease liabilities	<u>130,549</u>	<u>(26,364)</u>	<u>2,610</u>	<u>59</u>	<u>3,247</u>	<u>110,101</u>
	<u>\$601,671</u>	<u>\$110,881</u>	<u>\$ 2,610</u>	<u>\$ 59</u>	<u>\$ 9,078</u>	<u>\$724,299</u>

2024

	January 1, 2024	Cash Flow	Non-cash changes					December 31, 2024
			New lease	Lease Modification	Net loss (gain) from exchange	Interest expenses	Other(Note)	
Short-term loans	\$190,000	(\$ 80,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$110,000
Long-term loan and current portion of long-term loans payable	8,584	68,101	-	-	-	-	-	76,685
Corporate Bonds Payable	-	353,390	-	-	-	2,157	(71,110)	284,437
Lease liabilities	41,059	(19,300)	118,263	(12,105)	643	1,989	-	130,549
	<u>\$239,643</u>	<u>\$322,191</u>	<u>\$118,263</u>	<u>(\$ 12,105)</u>	<u>\$ 643</u>	<u>\$ 4,146</u>	<u>(\$ 71,110)</u>	<u>\$601,671</u>

Note: It is recognized as a component of equity and derivative instruments in the bonds payable.

XXXV. Capital risk management

The consolidated company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The consolidated company's overall strategy has remained unchanged to date.

The capital structure of the consolidated company consists of net debt of the consolidated company and Interests attributable to parent company owner. Management reviews the capital structure of the Group regularly including the consideration of each capital cost and relevant risks. The consolidated company balances its overall capital structure by issuing new shares, buying back shares and repaying old debt, as recommended by the management.

The consolidated company is not subject to any externally imposed capital requirements.

XXXVI. Financial Instruments

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

The management of the consolidated company, except for those disclosed in the table below, considers that when approaching the expiry date of the carrying amount of financial assets and financial liabilities that are not measured at fair value, or the price receivable in the future equivalent to the carrying amount, their carrying amount approximate their fair values.

December 31, 2025

	Book amount	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
— Corporate Bonds Payable	<u>\$290,268</u>	<u>\$310,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$310,950</u>

December 31, 2024

	Book amount	Fair value			
		Level 1	Level 2	Level 3	Total
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
— Corporate Bonds Payable	<u>\$284,437</u>	<u>\$324,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$324,120</u>

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

1. Fair value hierarchy

	December 31, 2025			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at fair value through profit or loss</u>				
Derivative Instruments				
Convertible Bonds -				
Call Option	\$ -	\$ -	\$ 30	\$ 30
Investment in Equity Instruments				
Domestic listed stocks	<u>142,074</u>	<u>-</u>	<u>-</u>	<u>142,074</u>
Total	<u>\$ 142,074</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 142,104</u>

	December 31, 2024			Total
	Level 1	Level 2	Level 3	
<u>Financial assets at fair value through profit or loss</u>				
Derivative Instruments				
Convertible Bonds -				
Call Option	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180</u>	<u>\$ 180</u>

There were no transfers between Levels 1 and 2 in 2025 and 2024.

2. Reconciliation of Financial Instruments Measured at Fair Value Level 3
From January 1 to December 31, 2025

Financial assets	Fair Value through Profit or Loss, FVTPL	Financial assets at fair value through other comprehensive income	Total
	Derivative Instruments	Equity Instruments	
Balance at the beginning of the year	\$ 180	\$ -	\$ 180
Recognized in profit or loss (Other Gains and Losses)	(150)	-	(150)
Recognized in other comprehensive income (Unrealized valuation gains (losses) on financial assets at FVTOCI)	-	(20,400)	(20,400)
Acquisitions	<u>-</u>	<u>20,400</u>	<u>20,400</u>
Ending Balance	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 30</u>
Unrealized gains (losses) recognized in profit or loss during the period relating to assets held at the end of the reporting period	<u>(\$ 150)</u>	<u>\$ -</u>	<u>(\$ 150)</u>

From January 1 to December 31, 2024

<u>Financial assets</u>	<u>Fair Value through Profit or Loss, FVTPL</u>
	<u>Derivative Instruments</u>
Balance at the beginning of the year	\$ -
Recognized in profit or loss (Other Gains and Losses)	(330)
Call Option on Issued Convertible Bonds	<u>510</u>
Ending Balance	<u>\$ 180</u>

Changes in Unrealized Gains (Losses) Related to Assets Held at Year-End and Recognized in Profit or Loss for the Current Period (\$ 330)

3. Valuation techniques and inputs applied for Level 3 fair value measurement
- (1) Derivatives convertible corporate bonds - redemption rights are estimated using a binary tree convertible corporate bonds valuation model. The significant unobservable inputs adopted are estimated by the parameters of stock price volatility, risk discount rate and liquidity risk.
 - (2) Equity investments in domestic unlisted (OTC) companies are valued using the market approach. The market approach determines fair value by using the transaction prices of comparable companies as a basis, taking into account the differences between the subject company and the comparable, and applying an appropriate multiplier.

(3) Categories of financial instruments

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Financial assets</u>		
Fair value through profit or loss		
Mandatory at fair value		
through profit or loss	\$ 142,104	\$ 180
Disposal of financial assets at		
amortized cost (Note 1)	940,155	1,560,730

Financial Liabilities

Carried at amortized cost 548,764
(Note 2) 687,393

Note 1: The balances include financial assets measured at amortized cost, such as cash and cash equivalents, investments in debt instruments, trade receivables, certain other receivables, and refundable deposits.

Note 2: The balances include financial liabilities measured at amortized cost, such as short-term borrowings, accounts payable, certain other payables, bonds payable, long-term borrowings, and the current portion of long-term borrowings.

(4) Financial risk management objectives and policies

The consolidated company's major financial instruments include equity and debt investments, trade receivables, accounts payable, bonds payable, borrowings, and notes receivable and payable. The corporate treasury function of the consolidated company provides services to business units, coordinates access to both domestic and international financial markets, and supervises and manages financial risks related to

the operations of the consolidated company through internal risk reports that analyze exposures by risk degree and scope. These risks include market risk (including foreign exchange risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

The consolidated company mitigates the impact of these risks by hedging its exposure to hedging risks through derivative financial instruments. The use of derivative financial instruments is governed by the policies approved by the consolidated company's Board of Directors, which are the written principles for foreign currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of current capital. Internal auditors review policy compliance and risk limits continuously. The consolidated company does not engage in transactions of financial instruments (including derivative financial instruments) for speculative purposes.

The Financial Department reports quarterly to the consolidated company's Board of Directors, which is an independent organization responsible for monitoring risks and implementing policies to mitigate risks.

1. Market risk

The main financial risks to which the consolidated company is exposed as a result of its operating activities are the risk of changes in foreign currency rates (see (1) below) and in interest rates (see (2) below). The consolidated company engages in various derivative financial instruments to manage risks in foreign currency rate and interest rate, including:

- A. Foreign Exchange Forward Contract to hedge the foreign currency risk arising from the sale of products;
- B. Interest Rate Swap to mitigate the risk of rising interest rates.

There is no change in the consolidated company's exposure to market risk of financial instruments and the way it manages and measures such exposure.

(1) Foreign currency risk

Several subsidiaries of the Company engage in foreign currency-denominated sales and imports, which expose the consolidated company to foreign currency risk. The consolidated company utilizes Foreign Exchange Forward Contract to manage the foreign currency risk within the scope of the policy.

Refer to Note 41 for the carrying amounts of monetary assets and monetary liabilities denominated in non-functional currencies (including monetary items denominated in non-functional currencies that have been eliminated in the consolidated financial statements) and the carrying amounts of derivatives with foreign currency risk on the balance sheet date by the consolidated company.

Sensitivity analysis

The consolidated company was mainly affected by the fluctuations in the exchange rates of USD and RMB.

The following table details the consolidated company's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. 5% is the sensitivity ratio used in reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible range of changes in foreign currency rates. The sensitivity analysis is for a 5% change in foreign currency rates and included only outstanding foreign currency-denominated monetary items at the end of the year. The

sensitivity analysis includes loans that are not denominated in the functional currency of the lenders or borrowers. A positive number below indicates a increase in net profit before tax, decrease in net loss before tax or an increase in equity when New Taiwan dollars weaken by 5% against the relevant currency. For a 5% strengthening of New Taiwan dollars against the relevant currency, the impact on net profit (loss) before tax or equity will result in the balances below being negative.

	Impact of USD		Impact of RMB	
	2025	2024	2025	2024
Profit and loss	\$ 3,708 (i)	\$ 3,060 (i)	\$ 1,226(ii)	(\$ 27)(ii)
(i)	Primarily arising from the USD bank deposits and debt instruments investments of the consolidated company that remain outstanding as of the balance sheet date and have not been subject to cash flow hedging.			
(ii)	Primarily arising from the RMB bank deposits of the consolidated company that remain outstanding as of the balance sheet date and have not been subject to cash flow hedging.			

The Group's sensitivity to the U.S. dollar exchange rate increased during the period, primarily due to the increase in U.S. dollar-denominated bank deposit balances. Additionally, the Group's sensitivity to the RMB exchange rate increased during the year, primarily due to the increase in RMB-denominated bank deposit balances. Management believes that the sensitivity analysis does not fully represent the inherent exchange rate risk, as foreign currency exposures at the balance sheet date do not reflect the exposures that occurred during the year.

(2) Interest rate risk

The consolidated company was exposed to interest rate risk because entities in the consolidated company borrowed funds at floating interest rates. The risk is managed by the consolidated company by maintaining an appropriate mix of fixed and floating interest rates and using interest rate swaps and forward rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Fair value interest rate risk		
Financial assets	\$ 411,035	\$ 493,971
Financial Liabilities	553,946	331,601
Cash flow interest rate risk		
Financial assets	268,874	802,353
Financial Liabilities	170,353	139,521

The consolidated company is exposed to cash flow interest rate risk due to holding bank loans with variable rates. This situation meets the consolidated company's policy of maintaining loans with floating rate to reduce fair value risk related to interest rates. The consolidated

company's cash flow interest rate risk is mainly due to fluctuations in benchmark interest rates related to bank deposits and loans.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating interest rates liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. Basis points of 1% increase or decrease were used when reporting interest rate risk internally to management and represent management's assessment of the reasonably possible change in interest rates.

If interest rates had increased/decreased by 1%, without change in all other variables, the consolidated company's pre-tax net loss for the years 2025 and 2024 decreased/increased by NT\$985 thousand and NT\$6,628 thousand, respectively, primarily due to the exposure to cash flow interest rate risk arising from the consolidated company's variable-rate borrowings and bank deposits.

2. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As of balance sheet date, the consolidated company's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to minimize credit risk, the management of the consolidated company has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the consolidated company reviews the recoverable amount of each individual trade debt at the balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Company considers that the consolidated company's credit risk was significantly reduced.

As of December 31, 2025 and 2024, accounts receivable from customers exceeding 5% of the total accounts receivable amounted to 98.48% and 99.87%, respectively, of the consolidated company's accounts receivable balance.

3. Liquidity risk

The consolidated company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. 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 December 31, 2025 and 2024, the consolidated company had available unutilized bank financing limits refer to the following instruction in (2).

(1) Liquidity and interest rate risk tables for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the consolidated

company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks.

The undiscounted interest amount of interest cash flows paid at floating interest rates is derived from the yield rate at the balance sheet date.

December 31, 2025

	Less than 1 year	1~3 years	4~5 years	More than 5 years
<u>Non-derivative financial liabilities</u>				
Floating interest rates instrument				
Short-term loans	\$ 155,632	\$ -	\$ -	\$ -
Long-term loans	99,795	76,259	-	-
Lease liabilities	20,289	28,223	26,840	46,893
Non-interest bearing				
Accounts payable	4,642	-	-	-
Other Payables	101,042	-	-	-
Corporate Bonds Payable	-	300,000	-	-
Other current liabilities	524	-	-	-
	<u>\$ 381,924</u>	<u>\$ 404,482</u>	<u>\$ 26,840</u>	<u>\$ 46,893</u>

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	More than 20 years
Lease liabilities	<u>\$ 20,289</u>	<u>\$ 55,063</u>	<u>\$ 46,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2024

	Less than 1 year	1~3 years	4~5 years	More than 5 years
<u>Non-derivative financial liabilities</u>				
Floating interest rates instrument				
Short-term loans	\$ 110,741	\$ -	\$ -	\$ -
Long-term loans	63,252	15,710	-	-
Lease liabilities	28,696	29,874	26,400	60,533
Non-interest bearing				
Accounts payable	4,270	-	-	-
Other Payables	113,689	-	-	-
Corporate Bonds Payable	-	300,000	-	-
Other current liabilities	567	-	-	-
	<u>\$ 321,215</u>	<u>\$ 345,584</u>	<u>\$ 26,400</u>	<u>\$ 60,533</u>

Further information on the lease liability maturity analysis is as follows:

	Less than 1 year	1~5 years	5~10 years	10~15 years	15~20 years	More than 20 years
Lease liabilities	<u>\$ 28,696</u>	<u>\$ 56,274</u>	<u>\$ 60,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The amount of floating interest rate instruments for the above non-derivative financial assets and liabilities will vary depending on the difference between the floating interest rate and the interest rate estimated at the balance sheet date.

(2) Financing facilities

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Unsecured loan facility (extended by mutual agreement)		
- Amount used	\$ 125,352	\$ 109,521
- Amount unused	<u>70,000</u>	<u>100,000</u>
	<u>\$ 195,352</u>	<u>\$ 209,521</u>
Loan limits secured		
- Amount used	\$ 198,578	\$ 77,164
- Amount unused	<u>5,000</u>	<u>20,000</u>
	<u>\$ 203,578</u>	<u>\$ 97,164</u>

XXXVII. Related party transactions

Intercompany transactions, balances, profit and loss between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is the transactions between the consolidated company and other related parties:

Compensation of key management

The compensation to directors and other management in 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 9,826	\$ 12,562
Post-employment benefits	(90)	15,115
Other long-term employee benefits	1	1
Share-based payments	<u>2,660</u>	<u>5,081</u>
	<u>\$ 12,397</u>	<u>\$ 32,759</u>

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

XXVIII. Pledged assets

The consolidated company has provided the following assets as collateral for bank borrowings, applications for endorsements and guarantees, issuance of corporate bonds, customs guarantees for imported raw materials, and security deposits for court-issued orders for payment:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Financial assets at fair value through profit or loss- current	\$ 118,395	\$ -
Financial assets at amortized cost - current	234,787	225,413
Property, plant and equipment	93,227	-
Refundable deposits	<u>16,800</u>	<u>10,500</u>
	<u>\$ 463,209</u>	<u>\$ 235,913</u>

XXXIX. Significant contingent liabilities and unrecognized commitments

Significant commitment of the consolidated company at the balance sheet date, excluding these disclosed in other note, were as follow:

- | | | |
|---|--------------------------|--------------------------|
| (1) Commitment not recognized by the consolidated company | <u>December 31, 2025</u> | <u>December 31, 2024</u> |
| Commitment on purchasing property, plant and equipment | \$ <u>111,465</u> | \$ <u>119,934</u> |
- (2) Refer to Table 2 of Note 42 for the endorsements and guarantees provided by the consolidated company as of December 31, 2025.

XL. Significant subsequent events

Except as otherwise noted in the notes, the following are significant subsequent events for the merged company:

- (1) On March 9, 2026, the board of directors of the merged company resolved to approve a guarantee of NT\$90,000 thousand from its subsidiaries, Jing Cheng Company and MSI Company, for the company's financing.
- (2) On March 9, 2026, the board of directors of the merged company resolved to approve a loan of NT\$100,000 thousand to Jing Cheng Company.

XLI. Information on foreign currency financial assets and liabilities with significant impact

The following information was summarized according to the foreign currencies other than the functional currency of the consolidated company. The exchange rates disclosed were used to translate foreign currencies into functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2025

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 303	31.43 (USD:NTD)	\$ 9,519
USD	2,067	6.991 (USD:CNY)	64,967
RMB	5,453	4.496 (CNY:NTD)	<u>24,516</u>
			<u>\$ 99,002</u>
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	10	31.43 (USD:NTD)	<u>\$ 327</u>

December 31, 2024

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$ 114	32.785 (USD:NTD)	\$ 3,745
USD	2,541	7.321 (USD:CNY)	83,294
RMB	340	4.478 (CNY:NTD)	1,524
			<u>\$ 88,563</u>
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	\$ 788	32.785 (USD:NTD)	\$ 25,839
RMB	461	4.478 (CNY:NTD)	2,066
			<u>\$ 27,905</u>

The consolidated company is primarily exposed to foreign currency rate risk in RMB and USD. The following information is presented in aggregate for the functional currencies of the individuals holding the foreign currencies, and the exchange rates disclosed are the rates at which those functional currencies are translated into the presentation currency. Gain or loss on foreign currency exchange with significant impact are as follows:

Functional currency	2025		2024	
	Functional currency Exchange Currency	Net exchange (loss) gain	Functional currency Exchange Currency	Net exchange (loss) gain
NTD	1 (NTD:NTD)	\$ 523	1 (NTD:NTD)	\$ 3,366
RMB	4.333 (CNY:NTD)	(2,981)	4.454 (CNY:NTD)	1,720
		<u>(\$ 2,458)</u>		<u>\$ 5,086</u>

The consolidated company's foreign currency exchange gain or loss for the years 2025 and 2024, realized (net) amounts were a gain of NT\$2,697 thousand and NT\$3,821 thousand, respectively. The unrealized (net) amounts were a loss of NT\$5,155 thousand and a gain of NT\$1,249 thousand, respectively.

XLII. Other disclosures

- (1) Information of Significant Transactions:
 1. Financing provided to others: Table 1.
 2. Endorsements/guarantees provided: Table 2.
 3. Major marketable securities held at the end of the period (excluding investments in subsidiaries, associates, and joint ventures): Table 3.
 4. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 5. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
 6. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Table 4.
- (2) Information on investees: Table 5.
- (3) Information on investment in mainland China:
 1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 6.

2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses:
 - (1) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.
 - (2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
 - (3) The amount of property transactions and the amount of the resultant gains or losses: None.
 - (4) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Table 2.
 - (5) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1.
 - (6) 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: None.

XLIII. Segment Information

(1) Department revenue and operating results

The information provided to the primary operating decision-maker for allocating resources and evaluating department performance focuses on the type of products or services delivered or provided by each. The consolidated company's reportable segments are as follows:

1. PVD Coating Products Department
2. Silicon Carbide Products Department

A total of one operation (Paragon (Suzhou) Company) was discontinued during the period. The department information reported below does not include amounts for any discontinued operations. Refer to Note 13 for details of discontinued operations.

2025

	PVD Coating Products Department	Silicon Carbide Products Department	Total
Revenue from external customers	\$ 318,701	\$ 1,201	\$ 319,902
Inter-departmental revenue	<u>1,732</u>	<u>-</u>	<u>1,732</u>
Department income	<u>\$ 320,433</u>	<u>\$ 1,201</u>	321,634
internal Write off			(<u>1,732</u>)
Consolidated revenue			<u>\$ 319,902</u>
Department profit and loss	(<u>\$ 32,506</u>)	(<u>\$ 124,558</u>)	(\$ 157,064)
Interest income			9,285
Dividend income			1,324
Income from government grants			622
Exchange Benefits			(2,458)
Loss from disposal of Property, plant and equipment			10
Loss on financial assets measured at fair value through profit or loss			45,699
Other gains and losses			(2,576)
Finance costs			(<u>17,445</u>)
Pre-tax net loss from continuing operations			(<u>\$ 122,603</u>)

2024

	PVD Coating Products Department	Silicon Carbide Products Department	Total
Revenue from external customers	\$ 353,424	\$ 561	\$ 353,985
Inter-departmental revenue	<u>-</u>	<u>-</u>	<u>-</u>
Department income	<u>\$ 353,424</u>	<u>\$ 561</u>	353,985
internal Write off			<u>-</u>
Consolidated revenue			<u>\$ 353,985</u>
Department profit and loss	(\$ 34,968)	(\$ 110,820)	(\$ 145,788)
Interest income			13,709
Income from government grants			596
Exchange Benefits			5,088
Loss from disposal of Property, plant and equipment			(955)
Loss on financial assets measured at fair value through profit or loss			(330)
Other gains and losses			(1,012)
Finance costs			(10,018)
Pre-tax net loss from continuing operations			(\$ 138,710)

The revenue reported above is generated from transactions with external customers. Inter-segment sales have been fully eliminated.

Segment profit refers to the profit earned by each segment and excludes allocated corporate management costs and directors' remuneration, share of profit or loss of associates accounted for using the equity method, lease income, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of investments, net foreign exchange gains or losses, gains or losses on financial instruments measured at fair value, finance costs, and income tax expense. This measure is provided to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance.

(2) Total assets and liabilities of the department

<u>Assets of the department</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Continuing operations segment		
PVD Coating Products		
Department	\$ 1,109,732	\$ 1,105,484
Silicon Carbide Products		
Department	<u>1,007,110</u>	<u>964,237</u>
Total segment assets	2,116,842	2,069,721
Assets related to discontinued operations	81,205	71,006
Unallocated current and deferred income tax assets	<u>48,014</u>	<u>42,365</u>
Total consolidated assets	<u>\$ 2,246,061</u>	<u>\$ 2,183,092</u>

<u>Assets of the department</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Continuing operations segment		
PVD Coating Products		
Department	\$ 477,012	\$ 396,533
Silicon Carbide Products		
Department	<u>361,229</u>	<u>328,633</u>
Total segment liabilities	838,241	725,166
Liabilities related to discontinued operations	601	1,136
Unallocated current and deferred income tax liabilities	<u>7,100</u>	<u>2,201</u>
Total consolidated liabilities	<u>\$ 845,942</u>	<u>\$ 728,503</u>

For the purpose of monitoring performance of and allocating resources to the departments:

1. All assets other than affiliates using the equity method and current and deferred income tax assets are allocated to reportable departments. Goodwill has allocated to reportable departments. Assets used in common by the reportable departments are allocated on the basis of revenues earned by the respective reportable departments.

(3) Main product and revenue arising from rendering of services

The analysis for the main products and revenue arising from rendering of services from continuing operations of the consolidated company is as follows:

	<u>2025</u>	<u>2024</u>
PVD coating products	\$ 313,882	\$ 368,171
Silicon carbide products	1,201	561
Others	4,819	7
Less: Discontinued Operations Segment	<u>-</u>	<u>(14,754)</u>
	<u>\$ 319,902</u>	<u>\$ 353,985</u>

(4) Geographic information

The consolidated company operates in two principal geographical areas - the Mainland China and Taiwan.

The consolidated company's revenue from continuing operations of external customers by location of operations and information about its non-current assets by location of assets is detailed below:

	<u>Revenue from external customers</u>		<u>Non-current assets</u>	
	<u>2025</u>	<u>2024</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	Taiwan	\$ 6,616	\$ 912	\$ 963,708
Mainland China	<u>313,286</u>	<u>353,073</u>	<u>104,494</u>	<u>128,349</u>
	<u>\$ 319,902</u>	<u>\$ 353,985</u>	<u>\$ 1,068,202</u>	<u>\$ 527,129</u>

Non-current assets do not include assets classified as deferred tax assets and net defined benefit assets.

(5) Major customers information

Revenue from direct selling in 2025 and 2024 were NT\$319,902 thousand and NT\$368,739 thousand respectively, and NT\$310,570 thousand and NT\$365,404 thousand out of them were from the largest customer of the consolidated company respectively.

Single customers contributing 10% or more to the consolidated company's revenue were as follows:

2025			2024		
Customer code	Amount	Percentage of revenue %	Customer code	Amount	Percentage of revenue %
Customer A	\$ 310,570	97	Customer A	\$ 365,404	99

Paragon Technologies Co., Ltd. and Its Subsidiaries
FINANCING PROVIDED TO OTHERS
From January 1 to December 31, 2025

TABLE 1

(In Thousands of New Taiwan Dollars and Foreign Currency)

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Balance at December 31	Actual Borrowing Amount	Actual Borrowing Amount	Nature of Financing	Nature of Financing	Reasons for Short-term Financing	Allowance for Bad Debts	Collateral		Financing limit for each borrower (Note 2)	Aggregate financing Limit (Note 2)	Note
													Name	Value			
1	MACRO SIGHT INTERNATIONAL CO., LTD	Jing Cheng Material Co., LTD.	Other receivables	Y	\$ 91,460 RMB 20,000	\$ 60,675 RMB 10,000 USD 500	\$ 60,675 RMB 10,000 USD 500	0%	The need for short-term financing	\$ -	Operating capital	None	None	\$ -	\$ 291,810 RMB 64,904	\$ 291,810 RMB 64,904	Note 3 (2)
2	Paragon (Suzhou) Technology LTD	Paragon (Neijiang) Technology Co., LTD	Other receivables	Y	53,952 RMB 12,000	53,952 RMB 12,000	53,952 RMB 12,000	2%	"	-	"	"	"	-	80,604 RMB 17,928	80,604 RMB 17,928	Note 3 (3)
2	Paragon (Suzhou) Technology LTD	Baiji (Suzhou) Technology Co., Ltd.	Other receivables	Y	8,992 RMB 2,000	8,992 RMB 2,000	8,992 RMB 2,000	2%	"	-	"	"	"	-	80,604 RMB 17,928	80,604 RMB 17,928	Note 3 (3)
3	Paragon (Jiangsu) Technology Co., LTD.	Paragon (Neijiang) Technology Co., LTD	Other receivables	Y	8,584 RMB 2,000	- RMB -	- RMB -	2%	"	-	"	"	"	-	186,930 RMB 41,577	186,930 RMB 41,577	Note 3 (3)
4	Essence International Investment Limited.	Jing Cheng Material Co., LTD.	Other receivables	Y	77,004 USD 2,450	77,004 USD 2,450	77,004 USD 2,450	0%	"	-	"	"	"	-	136,063 RMB 30,263	136,063 RMB 30,263	Note 3 (2)

Note 1: Coding is as follows:

- (1) The issuer is coded "0".
- (2) The investee companies are coded consecutively beginning from "1".

Note 2: The limit for financing provided by the investment company is as follows:

- (1) The individual amount of each financing provided to companies with business dealings with the Company should not exceed the amount of business transactions between the parties, and the total amount of all financing should not exceed 20% of net worth. The term "dealings with" refers to the purchase or sale amount between the two parties within the past year, which is the higher.
- (2) The individual amount of each guarantee should not exceed 20% of net equity as of its latest financial statements, and the total amount of all guarantees issued should not exceed 40% of net worth.
- (3) The Company can provide financing to its wholly-owned foreign subsidiaries, directly or indirectly held with 100% voting rights, without being subject to (2). However, the individual amount of each financing should not exceed 100% of net worth, and the total amount of all financing should not exceed 100% of net worth.

Note 3: The following limits apply to loans made by subsidiaries to others:

- (1) For companies or firms that have business dealings with the Company's subsidiaries, the individual loan amount shall not exceed the amount of business dealings between the two parties, and the total loan amount shall not exceed 20% of the current period's net asset value. Business dealings refer to the higher of the purchase or sales amounts between the two parties in the most recent year.
- (2) For companies or firms that require short-term financing, the individual loan amount shall not exceed 40% of the current period's net asset value, and the total loan amount shall not exceed 40% of the current period's net asset value.
- (3) For loans between foreign companies in which the Company directly or indirectly holds 100% of the voting shares, the restrictions in paragraph (2) do not apply, but the individual loan amount shall not exceed 100% of the current period's net asset value, and the total loan amount shall not exceed 100% of the current period's net asset value.

Paragon Technologies Co., Ltd. and Its Subsidiaries
ENDORSEMENTS AND GUARANTEES FOR OTHERS
From January 1 to December 31, 2025

TABLE 2

(In Thousands of New Taiwan Dollars,
Unless Specified Otherwise)

No. (Note 1)	Endorser/Guarantor Name	Endorsee/Guarantee		Limits on endorsement/gua rantee amount provided to each guaranteed party (Notes 3)	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of endorsement/gua rantee collateralized by properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Maximum endorsement/ guarantee amount allowable (Note 3)	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to subsidiari es in Mainland China	Note
		Name	Nature of relationship (Note 2)											
0	Paragon Technologies Co., Ltd.	Jing Cheng Material Co., LTD.	(2)	\$ 280,024 (Note 3)	\$ 202,272	\$ 202,272	\$ 168,577	\$ 118,395	14.45%	\$ 700,060	Y	N	N	
1	MACRO SIGHT INTERNATIONAL CO., LTD.	Jing Cheng Material Co., LTD.	(4)	280,024 (Note 4)	59,769 USD 1,800	56,574 USD 1,800	45,000	56,574 USD 1,800	4.04%	700,060	N	N	N	
1	MACRO SIGHT INTERNATIONAL CO., LTD.	Paragon Technologies Co., Ltd.	(4)	700,060 (Note 4)	150,000	150,000	150,000	107,904 RMB 24,000	10.71%	700,060	N	Y	N	
2	Jing Cheng Material Co., LTD.	Paragon Technologies Co., Ltd.	(4)	700,060 (Note 4)	150,000	-	-	-	—	700,060	N	Y	N	

Note 1: Coding is as follows:

(1) The issuer is coded "0".

(2) The investee companies are coded consecutively beginning from "1".

Note 2: There are 7 types of relationships between endorser and endorsee, the types can be indicated:

(1) The company with business dealings with the Company.

(2) The company directly or indirectly held by the Company by more than 50% voting shares.

(3) The company directly or indirectly held the Company by more than 50% voting shares.

(4) The company directly or indirectly held by the Company by more than 90% voting shares.

(5) The company provides mutual guarantees to each other based on the contract for the purpose of contracted engineering projects.

(6) The company in which all shareholders, based on their shareholding percentage, provide endorsements and guarantees due to the joint investment relationship.

(7) Joint and several guarantees provided by company engaged in pre-sale house contracts and selling in accordance with the Consumer Protection Act.

Note 3: The total amount of the endorsement/guarantee provided by the Company shall not exceed 50% percent of net worth. The cumulative amount of endorsement/guarantee for a single company shall not exceed 20% of net worth, and shall not exceed 50% of net worth for a single overseas associate. However, for endorsement/guarantee made due to business relationships, it shall not exceed the total amount of transactions between the Company and the other party in the most recent year (whichever is higher between the purchase or sales amount).

Note 4: The total amount of external endorsements/guarantees of subsidiaries, MACRO SIGHT INTERNATIONAL CO., LTD. and Jing Cheng Material Co., Ltd., shall not exceed 50% of net worth of the ultimate parent company for the current period. The cumulative amount of endorsement/guarantee for a single company shall not exceed 20% of net worth of the ultimate parent company, and shall not exceed 50% of net worth of the ultimate parent company for a single overseas associate and parent company. However, for endorsement/guarantee made due to business relationships, it shall not exceed the total amount of transactions between the Company and the other party in the most recent year (whichever is higher between the purchase or sales amount).

Paragon Technologies Co., Ltd. and Its Subsidiaries
Major marketable securities held at the end of the period
December 31, 2025

TABLE 3

(In Thousands of New Taiwan Dollars,
Unless Specified Otherwise)

Company Name	Types and names of securities (Note1)	Relationship with securities issuers	Accounting subjects	Balance as of December 31, 2025				Note
				Shares	Carrying Amount (Note 2)	Percentage of Ownership	Fair Value	
Paragon Technologies Co., Ltd.	Stocks							
	Advanced Echem Materials Company Limited	None	Financial assets at fair value through profit or loss - current	162,000	\$ 142,074	-	\$ 142,074	Listed and OTC domestic companies
	Uniconn Interconnections Technology Co., Ltd.	None	Financial assets at fair value through profit or loss- <u>Non-current</u>	340,000	Note 5	0.59%	Note 5	Unlisted (Non-OTC) domestic stocks

Note 1: The term "securities" in this table refers to stocks, bonds, beneficiary certificates, and securities derived therefrom that fall under the scope of IFRS 9 "Financial Instruments".

Note 2: For securities measured at fair value, please enter the amount adjusted for fair value assessment in column B; for securities not measured at fair value, please enter the original acquisition cost or amortized cost less accumulated impairment in column B.

Note 3: This table lists securities that the company determines must be included based on the principle of materiality.

Note 4: For information regarding investments in subsidiaries and related parties, please refer to Appendices 5 and 6.

Note 5: For non-listed (OTC) stocks of financial assets measured at fair value through other comprehensive income or loss, the fair value is the estimated market price assessed using fair value assessment methods; please refer to Note 8.

Paragon Technologies Co., Ltd. and Its Subsidiaries
INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS AND AMOUNT
From January 1 to December 31, 2025

TABLE 4

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Net Revenue or Total Assets (Note 3)
0	Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD	1	Sales revenue	\$ 15,736	Note 5	0.70
0	Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD	1	Other income	15,736	Note 5	4.92
1	MACRO SIGHT INTERNATIONAL CO., LTD	Jing Cheng Material Co., LTD.	3	Sales revenue	60,675	Note 6	2.70
2	Essence International Investment Limited	Jing Cheng Material Co., LTD.	3	Sales revenue	77,004	Note 6	3.43
3	Paragon (Suzhou) Technology LTD	Paragon (Jiangsu) Technology Co., LTD	3	Sales revenue	53,952	Note 6	2.40

Note 1: Intercompany relationships shall be noted in column of No. as follows:

1. The parent company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1".

Note 2: There are 3 types of relationships with counterparties, the types can be indicated:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: In calculating the percentage of intercompany transactions in consolidated net revenue or total assets, the liability is calculated by the percentage of balance at the end of period in consolidated assets, and the profit or loss is calculated by the percentage of cumulative amount in the middle of period in consolidated net revenue.

Note 4: The Company may determine whether to disclose the significant transactions in this table based on the principle of materiality.

Note 5: The Company charges administrative and management service fees to its third-party subsidiaries based on the Company and the expenses related to managing subsidiaries, plus a certain percentage. The payment terms require payment within 150 days after receipt of notice.

Note 6: The loans among subsidiaries are repaid in accordance with the loan agreements.

Note 7: The above transactions have been eliminated in the consolidated financial statements.

Paragon Technologies Co., Ltd. and Its Subsidiaries
 NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
 From January 1 to December 31, 2025

TABLE 5

(In Thousands of New Taiwan Dollars,
 Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2025			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2025	December 31, 2024	Shares	Percentage of Ownership	Carrying Amount			
Paragon Technologies Co., Ltd.	MACRO SIGHT INTERNATIONAL CO., LTD.	F.T. LABUAN, MALAYSIA	Investment activities	\$ 481,565	\$ 481,565	13,992,000	100	\$ 727,677	\$ 1,918	\$ 1,728	Subsidiary
	Cubee auto parts inc.	Taiwan	Wholesale and retail of automobile parts and equipment	USD 14,134	USD 14,134	500,000	50	-	-	-	Associate
	Jing Cheng Material Co., LTD.	Taiwan	Supply of silicon carbide technology and materials	936,100	936,100	78,000,000	100	517,686	(131,403)	(131,403)	Subsidiary
MACRO SIGHT INTERNATIONAL CO., LTD.	MACRO SIGHT TECHNOLOGY LIMITED	BRITISH VIRGIN ISLANDS	Makes investments and import/export	280,616	280,616	8,346,851	100	339,479	(26,375)	(24,417)	Sub-subsiidiary
	Paragon Technology Investment Limited.	Hong Kong	Investment activities	USD 8,347	USD 8,347	25,000,000	100	RMB 75,507	(RMB 6,087)	(RMB 5,635)	Sub-subsiidiary
	Precise International Investment Limited.	Hong Kong	Investment activities	777,341	777,341	3,502,000	100	-	443	796	Sub-subsiidiary
MACRO SIGHT TECHNOLOGY LIMITED	Essence International Investment Limited.	Hong Kong	Investment activities	USD 25,000	USD 25,000	15,100,000	100	170,110	RMB 102	RMB 184	Sub-subsiidiary
	Paragon Technology Investment Limited.	Hong Kong	Investment activities	USD 114,159	USD 114,159	15,100,000	100	RMB 37,836	RMB 42,577	RMB 43,032	Sub-subsiidiary
	Paragon (Suzhou) Technology LTD	Hong Kong	Investment activities	USD 3,502	USD 3,502	15,100,000	100	RMB 340,158	(RMB 26,246)	(RMB 26,246)	Sub-subsiidiary
Paragon Technology Investment Limited.	Zhejiang Paragon Technology Co., LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	USD 492,640	492,640	-	-	RMB 75,658	(RMB 6,057)	(RMB 6,057)	Sub-subsiidiary
				USD 15,100	USD 15,100	-	-	-	2,249	RMB 1,127	RMB 261
Essence International Investment Limited.	Paragon (Suzhou) Technology LTD	Suzhou New District, Jiangsu Province, Mainland China	EMI processing	-	777,341	-	-	-	RMB 2,249	RMB 1,127	Sub-subsiidiary
				USD -	USD 25,000	-	-	-	RMB 521	RMB 261	Sub-subsiidiary
Paragon (Jiangsu) Technology Co., LTD	Paragon (Jiangsu) Technology Co., LTD	Nanjing City, Jiangsu Province, Mainland China	EMI processing	240,742	240,742	-	100	80,604	3,146	3,146	Sub-subsiidiary
				USD 7,100	USD 7,100	-	100	RMB 17,928	RMB 726	RMB 726	Sub-subsiidiary
Paragon (Neijiang) Technology Co., LTD	Paragon (Neijiang) Technology Co., LTD	Neijiang City, Sichuan Province, Mainland China	EMI processing	175,218	251,904	-	100	186,930	(22,799)	(22,799)	Sub-subsiidiary
				USD 5,500	USD 8,000	-	100	RMB 41,577	(RMB 5,262)	(RMB 5,262)	Sub-subsiidiary
Paragon (Suzhou) Technology LTD	Zhejiang Paragon Technology Co., LTD.	Solar Industrial Park, Zhejiang Province, Mainland China	Sputter coated automotive parts	91,440	91,440	-	100	168,101	42,669	42,669	Sub-subsiidiary
				USD 3,000	USD 3,000	-	-	RMB 37,389	RMB 9,847	RMB 9,847	Sub-subsiidiary
Paragon (Jiangsu) Technology Co., LTD	Baiji (Suzhou) Technology Co., Ltd.	Suzhou New District, Jiangsu Province, Mainland China	Sputtering equipment after-sales service and equipment parts sales	-	775,835	-	-	-	2,249	1,122	Sub-subsiidiary
				USD -	USD 24,900	-	-	RMB 521	RMB 260	Sub-subsiidiary	
Paragon (Jiangsu) Technology Co., LTD	Baiji (Suzhou) Technology Co., Ltd.	Suzhou New District, Jiangsu Province, Mainland China	Sputtering equipment after-sales service and equipment parts sales	29,400	29,400	100	100	9,964	(15,459)	(15,459)	Sub-subsiidiary
				RMB 6,500	RMB 6,500	100	100	RMB 2,216	(RMB 3,568)	(RMB 3,568)	Sub-subsiidiary

Paragon Technologies Co., Ltd. and Its Subsidiaries
Information on investment in mainland China
From January 1 to December 31, 2025

TABLE 6

(In Thousands of New Taiwan Dollars and Foreign Currency)

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, and repatriations of investment income:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2025	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2025	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2025	Accumulated Inward Remittance of Earnings as of December 31, 2025 (Note4)	Note
					Outward	Inward							
Paragon (Suzhou) Technology LTD	EMI processing	\$ 240,742 USD 7,100	(2)	\$ 205,914 USD 6,000	\$ -	\$ -	\$ 205,914 USD 6,000	\$ 3,146 RMB 726	100%	\$ 3,146 RMB 726	\$ 80,604 RMB 17,928	\$ 199,824 USD 1,878 and RMB 31,500	Note 7
Paragon (Jiangsu) Technology Co., LTD	"	175,218 USD 5,500	(2)	-	-	-	(22,799) (RMB 5,262)	100%	(22,799) (RMB 5,262)	186,930 RMB 41,577	348,704 RMB 79,550		
Paragon (Neijiang) Technology Co., LTD	"	91,440 USD 3,000	(2)	-	-	-	42,669 RMB 9,847	100%	42,669 RMB 9,847	168,101 RMB 37,389	267,798 RMB 60,344		
Zhejiang Paragon Technology Co., LTD.	Sputter coated automotive parts	- USD -	(2)	173,825 USD 5,000	-	-	-	2,249 RMB 521	100%	2,249 RMB 521	-	-	
Baiji (Suzhou) Technology Co., Ltd.	Suzhou New District, Jiangsu Province, Mainland China Sputtering equipment after-sales service and equipment parts sales	29,400 RMB 6,500	(2)	-	-	-	(15,459) (RMB 3,568)	100%	(15,459) (RMB 3,568)	9,964 RMB 2,216	-	-	

Note 1: There are 3 types of investment methods, the types can be indicated:

- (1) Direct investment in the mainland China area.
- (2) Investment in the mainland China area through third party.
- (3) Others.

Note 2: Amount was recognized based on the audited financial statements.

2. Limit on the amount of investment in the mainland China area:

Accumulated Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
\$ 512,771 (Note 3)	\$2,006,072 (Notes 3 and 5) (HKD 12,173 and USD 61,602)	\$ 840,071

Note 3: Including the accumulated investment of NT\$100,172 thousand originally remitted from Taiwan, which remains unremitted following the liquidation of Baikai Technologies (Shenzhen) Co., Ltd. in March 2007 and ACME (Shanghai) Technology Limited in July 2020.

Note 4: As of December 2025, ACME (Shanghai) Technology Limited, which was liquidated in July 2020, has remitted investment income of NT\$254,140 thousand.

Note 5: Including the investment of NT\$97,799 thousand originally invested by the third party after the liquidation of Paragon (Chongqing) Technology Co., LTD. in June 2022.

Note 6: Following the liquidation of Paragon (Kunshan) Technology Co., Ltd. in April 2024, the amount of NT\$32,860 thousand originally reinvested in Mainland China through a third-region company was remitted back. As of December 2025, the total investment income remitted back amounted to NT\$421,948 thousand.

Note 7: Following the liquidation of Zhejiang Paragon Technology Co., LTD. in August 2025, the accumulated investment amount originally approved by the Investment Commission, MOEA, for remittance from Taiwan was NT\$173,825 thousand.