

TRUELIGHT CORPORATION
AND SUBSIDIARIES
Consolidated Financial Statements and
Independent Auditors' Report
Years Ended December 31, 2025 and 2024
(Stock Code: 3234)

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

TrueLight Corporation

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2025, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Additionally, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Company Name : TrueLight Corporation

Chairman : *Lidon Chen*

March 11, 2026

Independent Auditors' Report

To the Board of Directors and Shareholders of TrueLight Corporation

Opinion

We have audited the accompanying consolidated balance sheets of TrueLight Corporation and its subsidiaries (the "Group") as at December 31, 2025 and 2024 and the related consolidated statements of comprehensive income, of changes in equity and of 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 Group as at 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, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group 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. Based on our audits and the report of other auditors, 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 current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The key audit matters in relation to the consolidated financial statements for the year ended December 31, 2025 are outlined as follows:

Evaluation of inventories

Description

Refer to Note 4(11) for the accounting policy of inventory evaluation, and Notes 5(2) and 6(4) for the description of inventory items. Due to fierce market price competition for the products operated by the Group,

the risk of inventory price loss is relatively high, and the Group measures the lower of the cost and net realizable value of the inventory; For inventories that have passed a specific period of age and for inventories that are individually identified as obsolete or damaged, the net Realized value often involves manual judgment and thus has estimation uncertainty, so the accountant listed this as a key check item.

How our audit addressed the matter

Based on our understanding of the Group's operations and industry characteristics, the audit procedures we performed included evaluating the reasonableness of the Group's inventory valuation policies and procedures, as well as performing test checks on the accuracy of inventory aging calculations. In addition, we performed selective examinations of relevant information used to assess the net realizable value of inventories, such as selling prices, purchase costs, and inventory turnover status, in order to confirm the reasonableness of the net realizable value and the adequacy of the allowance for inventory write-downs.

Property, plant and equipment and right-of-use assets value-in-use measurement

Description

Refer to Note 4 (17) for the accounting policy on the assessment of impairment of property, plant and equipment and right-of-use assets, Notes 5(2) and 6(6) for descriptions of property, plant and equipment , and Notes 5(2) and 6(8) for description of right-of-use assets. The value-in-use of property, plant and equipment and right-of-use assets shall be used to measure its recoverable amount, and the property, plant and equipment and right-of-use assets shall be evaluated based on the aforementioned recoverable amount whether the property, plant and equipment and right-of-use assets are damaged. Valuation of the value-in-use of property, plant and equipment and right-of-use assets involves estimation of future cash flows, the determination of the discount rate, the assumptions used in the forecast of future cash flow and the estimated results have a significant impact on the evaluation of value-in-use of property, plant and equipment and right-of-use assets, so we listed this as a key audit matter.

How our audit addressed the matter

The verification procedure we performed is mainly to discuss the operation process of future cash flow estimation with the management and understand its product strategy and implementation status, evaluate the reasonableness of various assumptions used by the management to estimate future cash flows, including expected growth rate and gross profit margin, and evaluate the parameters used in the discount rate which including equity funds risk-free ratio, industry risk factor and long-term market rate of return.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of TrueLight Corporation as at and for the years ended December 31, 2025 and 2024, respectively.

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the Audit Committee, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the 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. 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Group 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Chiang Tsai-yen

Cheng, Ya-Huei

for and on behalf of PricewaterhouseCoopers, Taiwan

March 11, 2026

TrueLight Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2025 and 2024

Unit: NT\$ thousand

Assets	Notes	December 31, 2025		December 31, 2024		
		Amount	%	Amount	%	
Current Assets						
1100	Cash and cash equivalents	6(1)	\$ 199,282	19	\$ 317,418	26
1140	Current contract assets		3,662	1	-	-
1170	Accounts receivable, net	6(3)	118,047	11	88,103	7
1180	Accounts receivable due from related parties, net	6(3) and 7	2,203	-	662	-
1200	Other receivables		1,365	-	2,071	-
130X	Inventories, net	6(4)	168,008	16	229,220	19
1410	Prepayments		8,291	1	5,908	-
11XX	Total current assets		<u>500,858</u>	<u>48</u>	<u>643,382</u>	<u>52</u>
Non-current assets						
1535	Non-current financial assets at amortized cost	6(2) and 8	8,880	1	41,089	3
1550	Investments accounted for using equity method	6(5)	30,861	3	28,427	2
1600	Property, plant and equipment	6(6)	381,194	36	397,458	32
1755	Right-of-use assets	6(8)	95,026	9	105,811	9
1780	Intangible assets	6(9)	12,140	1	156	-
1840	Deferred tax assets	6(24)	18,581	2	18,581	2
1900	Other non-current assets		2,734	-	2,880	-
15XX	Total non-current assets		<u>549,416</u>	<u>52</u>	<u>594,402</u>	<u>48</u>
1XXX	Total assets		<u>\$ 1,050,274</u>	<u>100</u>	<u>\$ 1,237,784</u>	<u>100</u>

(continued)

TrueLight Corporation and Subsidiaries
Consolidated Balance Sheets
December 31, 2025 and 2024

Unit: NT\$ thousand

Liabilities and equity		Notes	December 31, 2025		December 31, 2024	
			Amount	%	Amount	%
Liabilities						
Current liabilities						
2150	Notes payable		\$ 1,350	-	\$ 50	-
2170	Accounts payable		29,212	3	18,182	1
2180	Accounts payable to related parties	7	6	-	-	-
2200	Other payables	6(10)	101,307	9	81,546	7
2220	Other payables to related parties	6(10) and 7	173	-	555	-
2280	Current lease liabilities		7,463	1	7,880	1
2320	Long-term loans, current portion	6(11)	8,333	1	25,383	2
2399	Other current liabilities, others		5,850	-	3,512	-
21XX	Total current liabilities		<u>153,694</u>	<u>14</u>	<u>137,108</u>	<u>11</u>
Non-current liabilities						
2540	Long-term loans	6(11)	41,667	4	87,823	7
2580	Non-current lease liabilities		92,565	9	102,523	8
2600	Other non-current liabilities		113	-	113	-
25XX	Total non-current liabilities		<u>134,345</u>	<u>13</u>	<u>190,459</u>	<u>15</u>
2XXX	Total liabilities		<u>288,039</u>	<u>27</u>	<u>327,567</u>	<u>26</u>
Equity						
Equity attributable to owners of parent						
	Share capital	6(13)				
3110	Ordinary shares		1,114,747	106	1,114,747	90
	Capital surplus	6(14)				
3200	Capital surplus		306,312	29	306,311	25
	Retained earnings	6(15)				
3350	Accumulated deficit		(664,120)	(63)	(453,344)	(36)
	Other equity interest	6(16)				
3400	Other equity interest		(11,640)	(1)	(10,584)	(1)
31XX	Total equity attributable to owners of parent		<u>745,299</u>	<u>71</u>	<u>957,130</u>	<u>78</u>
36XX	Non-controlling interest		<u>16,936</u>	<u>2</u>	<u>(46,913)</u>	<u>(4)</u>
3XXX	Total equity		<u>762,235</u>	<u>73</u>	<u>910,217</u>	<u>74</u>
	Significant commitments and contingencies	9				
	Significant subsequent events	11				
3X2X	Total liabilities and equity		<u>\$ 1,050,274</u>	<u>100</u>	<u>\$ 1,237,784</u>	<u>100</u>

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

TrueLight Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2025 and 2024

Unit: NT\$ thousand
(Except earnings (loss) per share)

Items	Notes	2025		2024	
		Amount	%	Amount	%
4000 Operating revenue	6(17) and 7	\$ 683,276	100	\$ 573,752	100
5000 Operating costs	6(4)(22)(23) and 7	(590,942)	(87)	(550,137)	(96)
5900 Gross profit		92,334	13	23,615	4
5910 Unrealized profit from sales	6(5)	(354)	-	(179)	-
5920 Realized profit from sales	6(5)	179	-	282	-
5950 Gross profit, net		<u>92,159</u>	<u>13</u>	<u>23,718</u>	<u>4</u>
Operating expenses	6(22)(23)				
6100 Selling expenses		(14,050)	(2)	(15,858)	(3)
6200 Administrative expenses		(87,349)	(13)	(106,400)	(19)
6300 Research and development expenses		(143,744)	(21)	(157,869)	(27)
6450 Impairment (loss) gain determined in accordance with IFRS 9	12	(5)	-	916	-
6000 Total operating expenses		<u>(245,148)</u>	<u>(36)</u>	<u>(279,211)</u>	<u>(49)</u>
6900 Net operating loss		<u>(152,989)</u>	<u>(23)</u>	<u>(255,493)</u>	<u>(45)</u>
Non-operating income and expense					
7100 Interest income	6(18)	3,129	1	7,339	1
7010 Other income	6(19)	1,293	-	1,435	-
7020 Other gains and losses, net	6(20)	(12,371)	(2)	(2,161)	-
7050 Finance costs, net	6(21)	(4,153)	(1)	(8,777)	(2)
7060 Share of profit (loss) of associates and joint ventures accounted for using equity method	6(5)	<u>4,556</u>	<u>1</u>	<u>2,782</u>	<u>1</u>
7000 Total non-operating income and expenses		<u>(7,546)</u>	<u>(1)</u>	<u>618</u>	<u>-</u>
7900 Loss before income tax		<u>(160,535)</u>	<u>(24)</u>	<u>(254,875)</u>	<u>(45)</u>
7950 Income tax expense	6(24)	-	-	-	-
8200 Loss for the period		<u>(\$ 160,535)</u>	<u>(24)</u>	<u>(\$ 254,875)</u>	<u>(45)</u>
Items that may be reclassified subsequently to profit or loss					
8361 Exchange differences on translation	6(16)	<u>(\$ 1,056)</u>	<u>-</u>	<u>\$ 5,059</u>	<u>1</u>
8300 Total other comprehensive income, net		<u>(\$ 1,056)</u>	<u>-</u>	<u>\$ 5,059</u>	<u>1</u>
8500 Total comprehensive income for the period		<u>(\$ 161,591)</u>	<u>(24)</u>	<u>(\$ 249,816)</u>	<u>(44)</u>
Profit (loss), attributable to:					
8610 Owners of parent		<u>(\$ 155,678)</u>	<u>(23)</u>	<u>(\$ 239,250)</u>	<u>(42)</u>
8620 Non-controlling interests		<u>(\$ 4,857)</u>	<u>(1)</u>	<u>(\$ 15,625)</u>	<u>(3)</u>
Comprehensive income attributable to:					
8710 Owners of parent		<u>(\$ 156,734)</u>	<u>(23)</u>	<u>(\$ 234,191)</u>	<u>(41)</u>
8720 Non-controlling interests		<u>(\$ 4,857)</u>	<u>(1)</u>	<u>(\$ 15,625)</u>	<u>(3)</u>
Loss per share	6(25)				
9750 Basic		<u>(\$ 1.40)</u>		<u>(\$ 2.21)</u>	
9850 Diluted		<u>(\$ 1.40)</u>		<u>(\$ 2.21)</u>	

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

TrueLight Corporation and Subsidiaries
Consolidated Statements of Changes in Equity
Years Ended December 31, 2025 and 2024

Unit: NT\$ thousand

	Notes	Equity attributable to owners of parent					Other equity interest Exchanges differences on translation of foreign financial statements	Total	Non-controlling interests	Total equity
		Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated deficit				
<u>Year ended December 31, 2024</u>										
Balance at January 1, 2024		\$ 964,747	\$ 342,417	\$ 433	\$ 3,893	(\$ 560,837)	(\$ 15,643)	\$ 735,010	(\$ 31,288)	\$ 703,722
Loss for the year		-	-	-	-	(239,250)	-	(239,250)	(15,625)	(254,875)
Other comprehensive income for the year	6(16)	-	-	-	-	-	5,059	5,059	-	5,059
Total comprehensive income		-	-	-	-	(239,250)	5,059	(234,191)	(15,625)	(249,816)
Issue of shares	6(13)(14)	150,000	306,000	-	-	-	-	456,000	-	456,000
Deficit compensation	6(15)	-	(342,417)	(433)	(3,893)	346,743	-	-	-	-
Changes in equity of associates and joint ventures accounted for using equity method		-	311	-	-	-	-	311	-	311
Balance at December 31, 2024		<u>\$1,114,747</u>	<u>\$ 306,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 453,344)</u>	<u>(\$ 10,584)</u>	<u>\$ 957,130</u>	<u>(\$ 46,913)</u>	<u>\$ 910,217</u>
<u>Year ended December 31, 2025</u>										
Balance at January 1, 2025		\$1,114,747	\$ 306,311	\$ -	\$ -	(\$ 453,344)	(\$ 10,584)	\$ 957,130	(\$ 46,913)	\$ 910,217
Loss for the year		-	-	-	-	(155,678)	-	(155,678)	(4,857)	(160,535)
Other comprehensive income for the year	6(16)	-	-	-	-	-	(1,056)	(1,056)	-	(1,056)
Total comprehensive income		-	-	-	-	(155,678)	(1,056)	(156,734)	(4,857)	(161,591)
Changes in equity of associates and joint ventures accounted for using equity method	6(14)	-	1	-	-	-	-	1	-	1
Changes in non-controlling interest	6(27)	-	-	-	-	-	-	-	13,608	13,608
Changes in ownership interest in subsidiaries	6(26)	-	-	-	-	(55,098)	-	(55,098)	55,098	-
Balance at December 31, 2025		<u>\$1,114,747</u>	<u>\$ 306,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 664,120)</u>	<u>(\$ 11,640)</u>	<u>\$ 745,299</u>	<u>\$ 16,936</u>	<u>\$ 762,235</u>

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

TrueLight Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

Unit: NT\$ thousand

	Notes	2025		2024
<u>Cash Flows from Operating Activities</u>				
Loss before tax		(\$ 160,535)	(\$	254,875)
Adjustments				
Adjustments to reconcile loss				
Expected credit loss (gain)	12	5	(	916)
Depreciation expense	6(6)(8)(22)	74,144		82,452
Amortization expense	6(9)(22)	132		1,547
Interest income	6(18)	(3,129 )	(	7,339)
Interest expense	6(21)	4,153		8,777
Impairment loss on non-financial assets	6(6)(20)	-		11,292
Loss (gain) on disposal of property, plant and equipment	6(20)	339	(	985)
Unrealized profit from sales	6(5)	354		179
Realized profit from sales	6(5)	(179 )	(	282)
Share of profit of associates accounted for using equity method	6(5)	(4,556 )	(	2,782)
Changes in operating assets and liabilities				
Changes in operating assets				
Contract assets		(3,662)		-
Accounts receivable		(30,657)		19,238
Accounts receivable due from related parties		(1,541)		1,013
Other receivables		470		88
Inventories		61,238		107,541
Prepayments		(1,378)		5,553
Changes in operating liabilities				
Notes payable		1,300	(	3,755)
Accounts payable		11,024	(	13,828)
Accounts payable to related parties		6		-
Other payables		18,097	(	8,552)
Other payables to related parties		(382)		555
Other current liabilities		2,324		1,542
Cash outflow generated from operations		(32,433 )	(	53,537)
Interest received		3,417		7,041
Dividends received	6(5)	1,948		-
Interest paid		(4,297 )	(	9,172)
Income taxes refunded (paid)		33	(	706)
Net cash flows used in operating activities		(31,332 )	(	56,374)

(continued)

TrueLight Corporation and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

Unit: NT\$ thousand

	Notes	2025	2024
<u>Cash Flows from Investing Activities</u>			
Acquisition of property, plant and equipment	6(6)(28)	(\$ 52,637)	(\$ 67,192)
Proceeds from disposal of property, plant and equipment		4	1,436
Acquisition of intangible assets	6(9)	-	(112)
Decrease in refundable deposits		211	2,000
Net cash flow from acquisition of subsidiaries	6(27)	460	-
Decrease (increase) in financial assets at amortized cost	8	32,209	(323)
Net cash flows used in investing activities		(19,753)	(64,191)
<u>Cash Flows from Financing Activities</u>			
Decrease in short-term loans	6(29)	-	(150,733)
Proceeds from long-term loans	6(29)	50,000	86,419
Repayments of long-term loans	6(29)	(113,206)	(166,685)
Repayments of lease liabilities	6(29)	(6,101)	(6,249)
Proceeds from issuing shares	6(13)	-	456,000
Net cash flows (used in) from financing activities		(69,307)	218,752
Effect of exchange rate changes on cash and cash equivalents		2,256	2,028
Net (decrease) increase in cash and cash equivalents		(118,136)	100,215
Cash and cash equivalents at beginning of period		317,418	217,203
Cash and cash equivalents at end of period		\$ 199,282	\$ 317,418

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

TrueLight Corporation and Subsidiaries
Notes to the Consolidated Financial Statements
Years Ended December 31, 2025 and 2024

Unit: NT\$ thousand
(Unless otherwise indicated)

1. HISTORY AND ORGANISATION

- (1) TrueLight Corporation (the Company) was established in September 1997 in the Republic of China. The main business items of the company and its subsidiaries (the Group) are design, research and development, production and sales are applied to "optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D Sensing/Near-Field Sensing/Flood Illumination" Vertical Cavity Surface Emitting Laser (VCSEL), Edge laser (FP / DFB), photodiode (PIN / PINTIA)", including components, sub-modules, Light engine/AOC and other types of products.
- (2) In order to improve the corporate governance structure and protect the interests of stakeholders, the Company participated in the Corporate Governance Assessment and Certification program organized by the Taiwan Corporate Governance Association, and on September 23, 2013, the Company passed the "CG6008 Corporate Governance Universal Version Certification". The Company will continue to strengthen corporate governance and align with international standards to maintain competitiveness in the capital market.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

The consolidated financial statements were authorised for issuance by the Board of Directors and issued on March 11, 2026.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuance of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC and became effective from 2025 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Specific provisions of Amendments to IFRS 9 and IFRS 7, 'Amendments to the classification and measurement of financial instruments'	January 1, 2026
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

The above standards and interpretations have no significant impacts on the Group's financial condition and financial performance based on the Group's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC and became effective from 2026 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9 and IFRS 7, ‘Amendments to the classification and measurement of financial instruments’	January 1, 2026
Amendments to IFRS 9 and IFRS 7, ‘Contracts referencing nature-dependent electricity’	January 1, 2026
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 comparative information’	January 1, 2023
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026

The above standards and interpretations have no significant impacts on the Group’s financial condition and financial performance based on the Group’s assessment.

(3) Effects of IFRSs Issued by IASB but not yet Endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
IFRS 18, ‘Presentation and disclosure in financial statements’	January 1, 2027 (Note)
IFRS 19, ‘Subsidiaries without public accountability: disclosures’	January 1, 2027
Amendments to IAS 21, ‘Translation to a Hyperinflationary Presentation Currency’	January 1, 2027

Note : The FSC has announced in a press release on September 25, 2025 that public companies will apply IFRS 18 starting from the fiscal year 2028. Additionally, entities can choose to adopt IFRS 18 earlier based on their requirements after the FSC endorses IFRS 18.

Except for the following, the above standards and interpretations have no significant impacts on the Group’s financial condition and financial performance.

IFRS 18, ‘Presentation and disclosure in financial statements’ replaces IAS 1. The standard introduces a defined structure of the statement of comprehensive income, disclosure requirements related to management-defined performance measures, and enhanced principles on aggregation

and disaggregation which apply to the primary financial statements and notes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC® Interpretations, and SIC® Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”)

(2) Basis of preparation

- A. These consolidated financial statements have been prepared under the historical cost convention.
- B. The preparation of financial statements in conformity with IFRSs, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the noncontrolling interests having a deficit balance.
- (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with noncontrolling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. 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.

B. Subsidiaries included in the consolidated financial statements:

<u>Investor</u>	<u>Investee</u>	<u>Main business Items</u>	<u>Shareholding Percentage</u>		<u>Illustrate</u>
			<u>Dec. 31, 2025</u>	<u>Dec. 31, 2024</u>	
TrueLight Corporation	TrueLight (B. V. I.) Ltd.	Investment holdings	100	100	
TrueLight (B. V. I.) Ltd.	ProRay Limited	Investment holdings	100	100	
ProRay Limited	Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd.	Design, produce, process and sell optoelectronic modules/ components	100	100	
TrueLight Corporation	YLTLINK Technology Corporation	Electronic components fabricate	94	41	Note 1 Note 2
TrueLight Corporation	PHOSERTEK CORPORATION	Electronic components fabricate	65	-	Note 3

Note 1 : The Group has been assessed to be the largest shareholder with more than half of the directorships and has the authority to direct the financing and operating policies of the company, so the company has been included in the consolidated financial statements.

Note 2 : The Company was resolved by the board of directors on May 13, 2025 to participate in the cash capital increase of YLTLINK Technology Corporation by \$150,000, and the record date of the capital increase is June 1, 2025.

Note 3 : The Company was resolved by the board of directors on August 28, 2025 to participate in the cash capital increase of PHOSERTEK CORPORATION by \$25,000, and the record date of the capital increase is October 30, 2025.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

1. Foreign currency transactions and balances

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses.'

2. Foreign currency translation of foreign operations

(A) All entities, including subsidiaries, associates, and joint control entities whose functional currency is different from the presentation currency, shall translate their operating results and financial positions using the following methods:

A. Assets and liabilities presented in each balance sheet shall be translated using the closing exchange rate on the balance sheet date.

B. Revenues and expenses presented in each income statement shall be translated using the average exchange rate for the period.

C. All exchange differences arising from the translation shall be recognized in other comprehensive income.

(B) When a partially disposed or sold foreign operating entity is a subsidiary, the cumulative translation differences shall be re-attributed to the non-controlling interests of the foreign operating entity in proportion. However, if the Group has lost control over the foreign operating entity, even if it retains a portion of the equity interests in the former subsidiary, the entire equity interests in the foreign operating entity shall be disposed of.

(C) Goodwill arising from the acquisition of a foreign entity and fair value adjustments shall be treated as assets and liabilities of the foreign entity and translated using the period-end exchange rate.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realized within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended to more than twelve months after the balance sheet date.

(6)Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7)Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(8)Accounts and notes receivable

- A. Refers to accounts and notes that have been unconditionally charged for the right to exchange the value of the consideration due to the transfer of goods or services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(9)Impairment of financial assets

For financial assets at amortized cost, at each reporting date, the Group, after taking into consideration all reasonable and verifiable information that includes forecasts, recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition, or recognizes the impairment provision for the lifetime expected credit losses (the "ECLs") if such credit risk has increased since initial recognition. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECL.

(10)Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expired.

(11)Lease transactions of lessors - lease receivables/operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(12)Inventories

Inventories are stated at the lower of cost and net realizable value. The cost is determined using the weighted-average method. The Cost of finished goods and work in process comprises raw materials, direct labors, other direct costs and factory overhead amortized at normal production capacity. It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price, less the estimated cost at completion and the estimated costs necessary to make the sale.

(13)Investments accounted for using equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using equity method and are initially recognised at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its

interest in the associate, including any other unsecured receivables, the Group ceases to recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. °

- C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless evidence show an impairment of the asset transferred from the transaction. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(14) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Except for land which is not depreciated, other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it should be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting policies, changes in accounting estimates and errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5 ~ 40 years
Machinery and equipment	2 ~ 10 years
Miscellaneous equipment	2 ~ 5 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of fixed payments which less any lease incentives receivable;

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. Right-of-use assets are recognized at cost at the commencement date of the lease, which includes:

(a) The amount of the initial measurement of lease liabilities;

(b) Any lease payments made at or before the commencement date³

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(16) Intangible asset

A. Computer software

Computer software is initially recorded at cost and amortized on a straight-line basis over its estimated useful life of 3 years.

B. Patent and technical skill

Patent and technical skill is recorded at cost and amortized on a straight-line basis over its estimated useful life of 5~10 years.

C. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

(17) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amount of goodwill is evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(18) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. However, for short-term accounts payable without bearing interest, as the effect of discounting is insignificant, they are measured subsequently at original invoice amount.

(20) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expense in that period when the employees render service.

B. Pensions - Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount

of compensation cost recognized is based on the number of equity instruments that eventually vest.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends

are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

A. Sale of commodity

- (a) The main business items of the Group are design, research and development, production and sales are applied to "optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D Sensing/Near-Field Sensing/Flood Illumination" Vertical Cavity Surface Emitting Laser (VCSEL), Edge laser (FP / DFB), photodiode (PIN / PINTIA)", including components, sub-modules, Light engine/AOC and other types of products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- (b) As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.
- (c) Receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Service revenue

The Company provides wafer OEM services. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from a fixed-price contract is measured by the percentage of the actual services performed as of the balance sheet date to the total services to be performed. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

C. Costs of obtaining customer contracts

Although the incremental costs incurred by the Group in obtaining the customer contract are expected to be recoverable, the relevant contract period is less than one year so such costs are recognized as expenses when incurred.

(27) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the

acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(28) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgments in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Using value assessment of property, plant and equipment

In the process of assessing impairment of property, plant and equipment and right-of-use assets, the Group relies on subjective judgement to determine the independent cash flows of specific asset groups, the useful lives of the assets, and the future revenues and expenses that may be generated, based on the usage pattern of the assets and industry characteristics. Any changes in estimates resulting from changes in economic conditions or the Group's strategy may result in significant impairment in the future.

As of December 31, 2025, the carrying amount of property, plant and equipment was \$381,194.

As of December 31, 2025, the carrying amount of right-of-use assets was \$95,026.

B. Evaluation of inventory

The Group's inventory is stated at the lower of cost and realizable value. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventory or inventory without market selling value at the end of the financial reporting period, and writes down the cost of inventory to the net realizable value. The valuation of inventory is subject to estimation uncertainty due to manual judgement and is therefore subject to significant changes.

As of December 31, 2025, the carrying amount of inventory was \$168,008.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalent

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash on hand and petty cash	\$ 46	\$ 36
Checking accounts and demand deposits	114,982	128,373
Time deposits	84,254	189,009
Total	<u>\$ 199,282</u>	<u>\$ 317,418</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash and cash equivalents pledged to others.

(2) Financial assets measured at amortized cost

<u>Items</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Non-current items:		
Demand deposits	\$ -	\$ 7,000
Time deposits	8,880	34,089
Total	<u>\$ 8,880</u>	<u>\$ 41,089</u>

A. Financial assets at amortized cost is recognized in the profit or loss shown as follows:

	<u>2025</u>	<u>2024</u>
Interest income	\$ 721	\$ 300

B. As of December 31, 2025 and 2024, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's financial assets at amortized cost were carrying amounts.

C. Please see Note 8 how the Group provides financial assets at amortized cost as a pledged collateral.

(3) Accounts receivable

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts receivable	\$ 118,052	\$ 88,103
Accounts receivable from related parties	2,203	662
	120,255	88,765
Less: Loss allowance	(5)	-
	<u>\$ 120,250</u>	<u>\$ 88,765</u>

A. The ageing analysis of accounts receivable is as follows :

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Not past due	\$ 116,094	\$ 87,295
Less than 30 days past due	3,680	1,470
Between 31 and 90 days past due	481	-
Between 91 and 180 days past due	-	-
More than 181 days past due	-	-
	<u>\$ 120,255</u>	<u>\$ 88,765</u>

The ageing analysis above was based on past due date.

B.As of December 31, 2025 and 2024, accounts receivable were all from contracts with customers. As of January 1, 2024, the balance of receivables from contracts with customers amounted to \$103,950.

C.As of December 31, 2025 and 2024, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were carrying amounts of accounts receivable.

D.Information about credit risk of accounts receivable is provided in Note 12(2).

(4)Inventories

	<u>December 31, 2025</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Carrying amount</u>
Raw materials	\$ 74,986	(\$ 38,618)	\$ 36,368
Work in process	78,083	(7,574)	70,509
Finished goods	123,506	(62,375)	61,131
	<u>\$ 276,575</u>	<u>(\$ 108,567)</u>	<u>\$ 168,008</u>

	<u>December 31, 2024</u>		
	<u>Cost</u>	<u>Allowance</u>	<u>Carrying amount</u>
Raw materials	\$ 97,585	(\$ 38,793)	\$ 58,792
Work in process	61,552	(3,417)	58,135
Finished goods	186,067	(73,774)	112,293
	<u>\$ 345,204</u>	<u>(\$ 115,984)</u>	<u>\$ 229,220</u>

Inventory costs recognized as an expense for the current period are as follows :

	<u>2025</u>	<u>2024</u>
Cost of inventory sold and services rendered	\$ 549,685	\$ 492,436
Evaluation loss	6,748	24,716
Capacity difference	34,696	34,214
Income from sales of scraps	(187)	(1,229)
	<u>\$ 590,942</u>	<u>\$ 550,137</u>

(5) Investments accounted for using equity method

	<u>2025</u>	<u>2024</u>
January 1	\$ 28,427	\$ 25,231
Share of profit of investments accounted for using equity method	4,556	2,782
Unrealized profit from sales	(354)	(179)
Realized profit from sales	179	282
Dividends received	(1,948)	-
Changes in equity of associates and joint ventures accounted for using equity method	1	311
December 31	<u>\$ 30,861</u>	<u>\$ 28,427</u>

The carrying amounts of individual insignificant associates of the Group and their shares in operating results are summarized as follows:

<u>Associate</u>	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Carrying amount</u>	<u>Ownership%</u>	<u>Carrying amount</u>	<u>Ownership%</u>
Optomedia Technology Inc.	<u>\$ 30,861</u>	<u>31.51%</u>	<u>\$ 28,427</u>	<u>31.50%</u>

	<u>2025</u>	<u>2024</u>
Profit for the period	<u>\$ 4,556</u>	<u>\$ 2,782</u>
Total comprehensive income	<u>\$ 4,556</u>	<u>\$ 2,782</u>

The Group is the single largest shareholder of Optomedia Technology Inc. However, the Group did not hold a majority of the Board of Directors' seats and therefore did not actually participate in the business decisions and operating policies, including strategic decisions (such as financing, acquisitions, personnel and dividend policies), and the Group's shareholding does not reach the statutory attendance percentage of shareholders meetings, indicating that the Group has no actual ability to direct relevant activities. Therefore, it is judged that the Group has no control over the company, and only has significant influence on it.

(6) Property, plant and equipment

	2025			
	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
January 1				
Cost	\$ 880,644	\$ 2,522,692	\$ 147,964	\$ 3,551,300
Accumulated depreciations and impairment	(677,418)	(2,372,209)	(104,215)	(3,153,842)
	<u>\$ 203,226</u>	<u>\$ 150,483</u>	<u>\$ 43,749</u>	<u>\$ 397,458</u>
January 1	\$ 203,226	\$ 150,483	\$ 43,749	\$ 397,458
Acquisitions	1,408	28,515	22,054	51,977
Disposals	-	(339)	(4)	(343)
Transfers	261	20,417	(20,678)	-
Depreciation	(21,010)	(46,193)	(430)	(67,633)
Acquisition through business combination	-	-	14	14
Effect of exchange rate changes	-	(278)	(1)	(279)
December 31	<u>\$ 183,885</u>	<u>\$ 152,605</u>	<u>\$ 44,704</u>	<u>\$ 381,194</u>
December 31				
Cost	\$ 882,313	\$ 2,552,655	\$ 148,941	\$ 3,583,909
Accumulated depreciations and impairment	(698,428)	(2,400,050)	(104,237)	(3,202,715)
	<u>\$ 183,885</u>	<u>\$ 152,605</u>	<u>\$ 44,704</u>	<u>\$ 381,194</u>

	2024			
	Buildings	Machinery	Others	Total
January 1				
Cost	\$ 880,459	\$ 2,657,732	\$ 133,750	\$ 3,671,941
Accumulated depreciations and impairment	(651,451)	(2,497,360)	(103,154)	(3,251,965)
	<u>\$ 229,008</u>	<u>\$ 160,372</u>	<u>\$ 30,596</u>	<u>\$ 419,976</u>
January 1	\$ 229,008	\$ 160,372	\$ 30,596	\$ 419,976
Acquisitions	185	14,069	38,224	52,478
Disposals	-	(18)	(434)	(452)
Transfers	-	24,173	(24,173)	-
Depreciation	(25,967)	(49,216)	(479)	(75,662)
Effect of exchange rate changes	-	1,103	15	1,118
December 31	<u>\$ 203,226</u>	<u>\$ 150,483</u>	<u>\$ 43,749</u>	<u>\$ 397,458</u>
December 31				
Cost	\$ 880,644	\$ 2,522,692	\$ 147,964	\$ 3,551,300
Accumulated depreciations and impairment	(677,418)	(2,372,209)	(104,215)	(3,153,842)
	<u>\$ 203,226</u>	<u>\$ 150,483</u>	<u>\$ 43,749</u>	<u>\$ 397,458</u>

- A. No interest expense was capitalized on property, plant and equipment in 2025 and 2024.
- B. The significant components of the Group's building including building and ancillary equipment are depreciated at a rate of 40 years and 5~10 years respectively.
- C. Refer to Note 8 for the Group's property, plant and equipment pledged to others.

(7) Impairment of non-financial assets

The impairment losses recognized by the Group in 2025 and 2024, amounted to \$0 and \$11,292, respectively, were as follows :

	2025		2024	
	Recognized as profit or loss	Recognized as other comprehensive income	Recognized as profit or loss	Recognized as other comprehensive income
Goodwill	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,292</u>	<u>\$ -</u>

Due to the continuous loss of the constituent entity of the assessed goodwill, and the recoverable amount the Group assessed was expected to be lower than carrying amount, the Group recognized the goodwill arising from the business combination of \$11,292 as impairment loss in 2024.

(8) Leasing arrangements-lessee

A. The Group leases land and rental contracts are typically made for periods of 22 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation expense are as follows :

	<u>Carrying amount</u>	
	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Land	<u>\$ 95,026</u>	<u>\$ 105,811</u>

	<u>Depreciation expenses</u>	
	<u>2025</u>	<u>2024</u>
Land	<u>\$ 6,511</u>	<u>\$ 6,790</u>

C. The Group's additions to right-of-use assets were \$0 both in FY2025 and FY2024.

D. The information on profit or loss relating to lease contract as follows :

	<u>2025</u>	<u>2024</u>
<u>Items of profit or loss affected</u>		
Interest expense on lease liabilities	<u>\$ 1,474</u>	<u>\$ 1,632</u>
Short-term leases expenses	<u>\$ 5,284</u>	<u>\$ 5,614</u>

E. For the years ended December 31, 2025 and 2024, the Group's total cash outflow for leases were \$12,859 and \$13,495, respectively.

F. The decrease in lease payments based on land lease contract resulted in a decrease of \$4,274 in both right-of-use assets and lease liabilities in 2025.

(9) Intangible assets

		2025			
		Software	Goodwill	Patent / Technical skill	Total
January 1					
Cost	\$	19,846	\$ 11,292	\$ 7,500	\$ 38,638
Accumulated amortization and impairment	(	19,690)	(11,292)	(7,500)	(38,482)
	\$	156	\$ -	\$ -	\$ 156
January 1	\$	156	\$ -	\$ -	\$ 156
Amortization	(	75)	-	(57)	(132)
Acquisition through business combination		-	-	12,116	12,116
December 31	\$	81	\$ -	\$ 12,059	\$ 12,140
December 31					
Cost	\$	19,846	\$ 11,292	\$ 19,616	\$ 50,754
Accumulated amortization and impairment	(	19,765)	(11,292)	(7,557)	(38,614)
	\$	81	\$ -	\$ 12,059	\$ 12,140
		2024			
		Software	Goodwill	Patent / Technical skill	Total
January 1					
Cost	\$	19,734	\$ 11,292	\$ 7,500	\$ 38,526
Accumulated amortization and impairment	(	19,643)	-	(6,000)	(25,643)
	\$	91	\$ 11,292	\$ 1,500	\$ 12,883
January 1	\$	91	\$ 11,292	\$ 1,500	\$ 12,883
Acquisition		112	-	-	112
Amortization	(	47)	-	(1,500)	(1,547)
Impairment		-	(11,292)	-	(11,292)
December 31	\$	156	\$ -	\$ -	\$ 156
December 31					
Cost	\$	19,846	\$ 11,292	\$ 7,500	\$ 38,638
Accumulated amortization and impairment	(	19,690)	(11,292)	(7,500)	(38,482)
	\$	156	\$ -	\$ -	\$ 156

A. Details of amortization of intangible assets are as follows:

	<u>2025</u>	<u>2024</u>
Administrative expenses	\$ 75	\$ 47
Research and development expenses	<u>57</u>	<u>1,500</u>
	<u>\$ 132</u>	<u>\$ 1,547</u>

B. The Group has no intangible assets pledged to others.

(10) Other payables (including related parties)

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Salaries and bonus payable	\$ 27,002	\$ 23,668
Payable on employees' and directors' remuneration	-	347
Payable on machinery and equipment	4,240	4,901
Others	<u>70,238</u>	<u>53,185</u>
	<u>\$ 101,480</u>	<u>\$ 82,101</u>

(11) Long-term loans

<u>Institutions</u>	<u>Loan period</u>	<u>Collateral</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Taiwan Business Bank secured loan	2022. 12. 30~2027. 12. 30	Time deposits	\$ -	\$ 7,500
Hua Nan Commercial Bank secured loan	2024. 07. 08~2026. 07. 08	Demand deposits	-	70,000
First Commercial Bank unsecured loan	2025. 04. 28~2030. 04. 28	None	50,000	-
E.Sun Commercial Bank unsecured loan	2022. 09. 01~2025. 03. 01	None	-	8,190
Mega Bank secured loan	2024. 06. 27~2026. 11. 27	Time deposits	-	12,888
FCB Leasing Co., Ltd. secured loan	2022. 06. 20~2026. 10. 20	Machinery equipment	-	14,628
			50,000	113,206
Less: Long-term loans, current portion			(8,333)	(25,383)
			<u>\$ 41,667</u>	<u>\$ 87,823</u>
Interest rate range			<u>2.70%</u>	<u>2.16%-6.345%</u>

A. The Group's unused credit line for long-term loans were \$75,000 and \$50,000 at December 31, 2025 and 2024, respectively.

B. Refer to Note 8 for collateral for long-term loans.

(12)Pensions

A. Effective from July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution retirement plan in accordance with the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. The Company and its domestic subsidiaries contribute 6% of the employees’ monthly salaries to the employees’ individual accounts with the Labor Insurance Bureau as retirement benefits, and the retirement benefits are paid to employees in the form of monthly annuities or lump-sum payments based on the accumulated balance and investment income in the employees’ individual retirement accounts.

B. Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd. contributes to the social security fund, including pension insurance, in accordance with the regulations of the People's Republic of China. The company has no further obligation beyond the monthly contributions.

C. The Group recognized pension costs under the defined contribution plan aforementioned amounted to \$13,699 and \$21,240 for the years ended December 31, 2025 and 2024, respectively.

(13)Capital share

As of December 31, 2025, the Company’s authorized capital was \$2,000,000, consisting of 200,000 thousand shares of common stock, and the paid-in capital was \$1,114,747 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

The movements in the number of the Company's common stocks outstanding are as follows:

	Unit : thousand shares	
	2025	2024
January 1	111, 475	96, 475
Issuing new shares	-	15, 000
December 31	111, 475	111, 475

On March 6, 2024, the Board of Directors of the Company approved 5 installments private placement (11201~11205) of common stock. The domestic cash capital increase within the limit of 15,000,000 shares. The subscription price per share for the private placement is NT\$30.4, and the estimated proceeds are NT\$456,000. Record date of private placement was 2024/3/15, and registration changing has been completed. Except for the restrictions on circulation and transfer stipulated by the Securities and Exchange Law, the rights and obligations of this private placement of ordinary shares can only be applied for OTC listing and trading 3 years after the date of delivery and after the public issuance. The rest are the same as other issued ordinary shares.

(14)Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2025		
	Shares Premium	Changes in equity of associates	Total
January 1	\$ 306,000	\$ 311	\$ 306,311
Changes in equity of associates and joint ventures accounted for using equity method	-	1	1
December 31	<u>\$ 306,000</u>	<u>\$ 312</u>	<u>\$ 306,312</u>

	2024			
	Shares Premium	Changes in ownership interest in subsidiaries	Changes in equity of associates	Total
January 1	\$ 336,237	\$ 6,180	\$ -	\$ 342,417
Deficit compensation	(336,237)	(6,180)	-	(342,417)
Issuing new shares	306,000	-	-	306,000
Changes in equity of associates and joint ventures accounted for using equity method	-	-	311	311
December 31	<u>\$ 306,000</u>	<u>\$ -</u>	<u>\$ 311</u>	<u>\$ 306,311</u>

(15) Retained earnings(Accumulated deficit)

- A. Under the Company's Articles of Incorporation, the current year's profit after income tax, shall first be offset against prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. When such legal reserve amounts to the total authorized capital, the Company shall not be subject to this requirement. The Company may then appropriate or reverse a certain amount as special reserve according to the demand for the business or relevant regulations. After the distribution of earnings, the remaining earnings and prior year's undistributed earnings may be appropriated according to a resolution of the Board of Directors adopted in the shareholders' meeting.
- B. The Company's dividend policy is based on the principle of a prudent balance, considering factors such as the Company's environment, stage of growth, future capital needs, and long-term financial planning, with the goal of meeting shareholders' demand for cash inflows. No less than 5% of the Company's available-for-distribution earnings are allocated to dividends and bonuses to shareholders, except that no dividend may be distributed if the accumulated available-for-distribution earnings are less than 10% of the Company's paid-in capital. Dividends and bonuses to shareholders may be distributed in the form of cash or shares, with cash dividends to shareholders of at least 10% of the total amount of dividends and bonuses.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in

excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The Company's shareholders' meeting resolved to compensate deficit with capital surplus of \$342,417, legal reserve of \$433 and special reserve of \$3,893 on May 30, 2024.

The Company's shareholders' meeting resolved 2024 deficit appropriation on May 27, 2025.

(16) Other equity

	<u>2025</u>	<u>2024</u>
	Unrealize evaluation gain (loss)	Unrealize evaluation gain (loss)
January 1	(\$ 10,584)	(\$ 15,643)
Currency translation difference-the Group	(1,056)	5,059
December 31	<u>(\$ 11,640)</u>	<u>(\$ 10,584)</u>

(17) Operating revenue

	<u>2025</u>	<u>2024</u>
Revenue from contracts with customers	<u>\$ 683,276</u>	<u>\$ 573,752</u>

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

Major product lines:

	<u>2025</u>	<u>2024</u>
Chips and components	\$ 430,263	\$ 390,321
Optical transmission and connection modules	188,842	154,264
Others	64,171	29,167
	<u>\$ 683,276</u>	<u>\$ 573,752</u>

Major geographical regions:

	<u>2025</u>	<u>2024</u>
China	\$ 54,440	\$ 56,928
Taiwan	411,556	263,101
Others in Asia	99,897	111,309
Europe and America	117,383	142,414
	<u>\$ 683,276</u>	<u>\$ 573,752</u>

Revenue for the years 2025 and 2024 were categorized by product application, with percentages as follows: Broadband Network 10% and 9%, 4G/5G Base Station Interconnection 31% and 35%, Cloud Data Center 22% and 13%, Sensing application 26% and 37%, and Other 11% and 6%.

(18) Interest income

	2025	2024
Interest income from bank deposits	\$ 2,408	\$ 7,039
Interest income from financial assets measured at amortized cost	721	300
	<u>\$ 3,129</u>	<u>\$ 7,339</u>

(19) Other income

	2025	2024
Rent income	\$ 594	\$ 579
Others	699	856
	<u>\$ 1,293</u>	<u>\$ 1,435</u>

(20) Other gains and losses

	2025	2024
Gain (loss) on disposals of property, plant and equipment	(\$ 339)	\$ 985
Net currency exchange (loss) gain	10,966	9,164
Impairment loss of goodwill	-	(11,292)
Others	(1,066)	(1,018)
	<u>(\$ 12,371)</u>	<u>(\$ 2,161)</u>

(21) Finance cost

	2025	2024
Interest expenses :		
Bank loans	\$ 2,679	\$ 7,145
Lease liabilities	1,474	1,632
	<u>\$ 4,153</u>	<u>\$ 8,777</u>

(22) Additional disclosures on expenses of nature

	<u>2025</u>	<u>2024</u>
Employee benefit expenses	\$ 308,415	\$ 319,422
Depreciation	74,144	82,452
Amortization	132	1,547
	<u>\$ 382,691</u>	<u>\$ 403,421</u>

(23) Employee benefit expenses

	<u>2025</u>	<u>2024</u>
Wages and salaries	\$ 257,746	\$ 260,717
Labor and health insurance	23,410	23,285
Pension	13,699	21,240
Other personnel expenses	13,560	14,180
	<u>\$ 308,415</u>	<u>\$ 319,422</u>

A. In accordance with the Articles of Incorporation of the Company, ratios of distributable profit of the current year, after covering accumulated deficit, shall be distributed as employees' compensation and directors' remuneration. The ratios shall be not less than 10% for employees' compensation and not more than 2% for directors' remuneration.

B. The Company would not recognize employees' compensation and directors' remuneration as expenses because of the losses for years ended December 31, 2025 and 2024.

C. Information related to employees' compensation and directors' remuneration shall be inquired at the Market Observation Post System website.

(24) Income tax

A. Income tax expense

Components of income tax expense :

	<u>2025</u>	<u>2024</u>
Current tax :		
Current tax on profit or loss	\$ -	\$ -
Total current tax	-	-
Deferred tax :		
Change in assessment of realization of deferred tax assets or liabilities	-	-
Total deferred tax	-	-
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

B.Reconciliation between income tax expense and accounting loss :

	<u>2025</u>	<u>2024</u>
Tax calculated based on loss before tax and statutory tax rate	(\$ 47,052)	(\$ 70,954)
Temporary differences not recognised as deferred tax assets	5,440	16,936
Tax losses not recognised as deferred tax assets	<u>41,612</u>	<u>54,018</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

C.Deferred tax or liabilities resulted from loss based on tax regulation is listed below:

	<u>2025</u>				
	<u>January 1</u>	<u>Recognized in Profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in equity</u>	<u>December 31</u>
Taxable loss	<u>\$ 18,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$18,581</u>

	<u>2024</u>				
	<u>January 1</u>	<u>Recognized in Profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Recognized in equity</u>	<u>December 31</u>
Taxable loss	<u>\$ 18,581</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$18,581</u>

D.As of December 31, 2025 and 2024, the expiry date of the tax losses unused are listed below:

December 31, 2025				
<u>Year of loss</u>	<u>Loss based on tax regulation</u>	<u>Unused losses</u>	<u>Loss unrecognized as deferred assets</u>	<u>Expiry date</u>
2017	\$ 513,747	\$ 513,747	\$ 420,842	2027
2018	169,416	169,416	169,416	2028
2019	221,131	221,131	221,131	2029
2020	101,981	101,981	101,981	2030
2021	163,821	163,821	163,821	2031
2022	45,195	45,195	45,195	2027
2022	77,560	77,560	77,560	2032
2023	88,970	88,970	88,970	2028
2023	280,504	280,504	280,504	2033
2024	79,831	79,831	79,831	2029
2024	165,281	165,281	165,281	2034
2025	56,942	56,942	56,942	2035
2025	140,985	140,985	140,985	2035
	<u>\$ 2,105,364</u>	<u>\$ 2,105,364</u>	<u>\$ 2,012,459</u>	

December 31, 2024				
<u>Year of loss</u>	<u>Loss based on tax regulation</u>	<u>Unused losses</u>	<u>Loss unrecognized as deferred assets</u>	<u>Expiry date</u>
2017	\$ 513,747	\$ 513,747	\$ 420,842	2027
2018	169,416	169,416	169,416	2028
2019	221,131	221,131	221,131	2029
2020	100,908	100,908	100,908	2030
2021	156,461	156,461	156,461	2031
2022	45,014	45,014	45,014	2027
2022	66,641	66,641	66,641	2032
2023	88,614	88,614	88,614	2028
2023	267,804	267,804	267,804	2033
2024	79,540	79,540	79,540	2029
2024	171,199	171,199	171,199	2034
	<u>\$ 1,880,475</u>	<u>\$ 1,880,475</u>	<u>\$ 1,787,570</u>	

E. Deductible temporary differences unrecognized as deferred assets:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Deductible temporary differences	<u>\$ 536,737</u>	<u>\$ 509,537</u>

F. The Company's income tax returns have been examined by the tax authority through the years up to 2023.

(25)Loss per share

	<u>2025</u>		
	<u>Amount after tax</u>	<u>Weighted average number of common shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and dilutive loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 155,678)	111,475	(\$ 1.40)

	<u>2024</u>		
	<u>Amount after tax</u>	<u>Weighted average number of common shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic and dilutive loss per share</u>			
Net loss attributable to ordinary shareholders of the parent	(\$ 239,250)	108,475	(\$ 2.21)

(26)Transactions with non-controlling interest

The Company was resolved by the board of directors on May 13, 2025 to participate in the cash capital increase of YLTLINK Technology Corporation by \$150,000, and the record date of the capital increase is June 1, 2025. Due to the Group failed to subscribe in accordance with the shareholding ratio, this transaction increased non-controlling interest by \$55,098, and decreased the equity attributable to the parent company's owners by \$55,098.

(27)Business combination

A. On October 30, 2025, the Group participated in a cash capital increase of PHOSERTEK CORPORATION with a cash investment of \$25,000, acquiring a 64.75% equity interest and gaining control over the company. PHOSERTEK CORPORATION specializes in the design, development, and manufacture of innovative semiconductor laser light sources to meet the rapidly growing demand for high-speed data transmission and smart sensing. The Group expects this acquisition to strengthen its position in these markets.

B. Information regarding the consideration paid, the fair value of assets acquired and liabilities assumed at the acquisition date, and the non-controlling interests measured as the proportion of the acquiree's identifiable net assets is as follows:

	<u>October 30, 2025</u>
Purchase consideration	
Cash paid	\$ 25,000
Non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets	<u>13,608</u>
	<u>\$ 38,608</u>
Fair value of the identifiable assets acquired and liabilities assumed	
Cash	25,460
Prepayments	1,036
Property, plant and equipment	14
Intangible assets	12,116
Other assets	64
Payables	(69)
Other liabilities	(13)
Total identifiable net assets	<u>\$ 38,608</u>

Analysis of cash flows from acquisition:

Consideration paid	\$ 25,000
Less: Cash and cash equivalents acquired	<u>(25,460)</u>
Net cash inflow	<u>(\$ 460)</u>

C. The fair value assessment of identifiable net assets acquired was based on the valuation results provided by independent valuation experts.

D. From the date of consolidation on October 30, 2025, PHOSERTEK CORPORATION contributed \$0 to operating revenue and (\$1,454) to net loss before tax. Had the consolidation occurred on January 1, 2025, the Group's pro forma operating revenue and net loss before tax would have been \$683,276 and (\$163,352), respectively.

(28) Supplemental cash flow information

Investing activities with partial cash collection and payments:

	<u>2025</u>	<u>2024</u>
Purchase of property, plant and equipment	\$ 51,977	\$ 52,478
Add: Opening balance of payable on equipment	4,901	19,615
Less: Ending balance of payable on equipment	(4,240)	(4,901)
Effect of exchange rate changes	<u>(1)</u>	<u>-</u>
Cash paid during the year	<u>\$ 52,637</u>	<u>\$ 67,192</u>

(29) Changes in liabilities from financing activities

	Long-term loans (including Current portion)	Lease liabilities	Total liabilities financing activities
January 1, 2025	\$ 113,206	\$ 110,403	\$ 223,609
Changes in cash flow	(63,206)	(6,101)	(69,307)
Interest paid	-	(1,474)	(1,474)
Other non-cash changes	-	(2,800)	(2,800)
December 31, 2025	<u>\$ 50,000</u>	<u>\$ 100,028</u>	<u>\$ 150,028</u>

	Short-term loans	Long-term loans (including Current portion)	Lease liabilities	Total liabilities financing activities
January 1, 2024	\$ 150,385	\$ 193,472	\$ 116,652	\$ 460,509
Changes in cash flow	(150,733)	(80,266)	(6,249)	(237,248)
Interest paid	-	-	(1,632)	(1,632)
Effect of exchange rate changes	348	-	-	348
Other non-cash changes	-	-	1,632	1,632
December 31, 2024	<u>\$ -</u>	<u>\$ 113,206</u>	<u>\$ 110,403</u>	<u>\$ 223,609</u>

7. RELATED PARTIES TRANSACTION

(1) Names and relationship of related parties

<u>Name</u>	<u>Relationship with the Group</u>
Optomedia Technology Inc.	Associate
Taiwan Mask Corporation	Individuals with significant influence on the Group (Note)
Xsense Technology Corporation	Other related party
Quanxin Sustainability Management Consulting Co., Ltd.	Other related party
Miracle Technology Co., Ltd.	Other related party
Sheng-Hsien Liu	Other related party

Note: Taiwan Mask Corporation is the single largest shareholder of the Company with a shareholding ratio of 12.11%, which has significant influence on the Group.

(2) Significant transactions and balances with related parties :

A. Operating revenue

	<u>2025</u>	<u>2024</u>
Operating revenue :		
Associates	\$ 11,860	\$ 11,332
Other related parties	7,289	-
	<u>\$ 19,149</u>	<u>\$ 11,332</u>

B. Purchases and others

	<u>2025</u>	<u>2024</u>
Purchases :		
Other related parties	\$ 60	\$ -
Others :		
Individuals with significant influence on the Group	48	312
Other related parties	187	-
	<u>\$ 295</u>	<u>\$ 312</u>

C. Accounts receivable due from related parties

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts receivable :		
Associates	<u>\$ 2,203</u>	<u>\$ 662</u>

The accounts receivable due from related parties mainly arise from sales of goods, and the transaction term of sales of goods is about 30 days. The above accounts receivable is unsecured in nature and bear no interest and for which no allowance loss.

D. Payables to related parties

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts payable :		
Other related parties	\$ 6	\$ -
Other payables :		
Individuals with significant influence on the Group	-	555
Other related parties	173	-
Total	<u>\$ 179</u>	<u>\$ 555</u>

The payables to related parties mainly arise from purchases and acquisitions of production and R&D materials and other expenses. The transaction terms were similar to those for third parties.

E. Sheng-Hsien Liu lent \$10,000 to the Group at an interest rate of 2% in 2023, and the Group repaid the loan on June 28, 2024 with an accumulated interest payment of \$132.

(3) Information about remunerations to the major management

	<u>2025</u>	<u>2024</u>
Salaries and other short-term employee benefits	\$ 19,935	\$ 25,034
Post-employment benefits	432	7,319
Total	<u>\$ 20,367</u>	<u>\$ 32,353</u>

8. PLEDGED ASSETS

Details of the assets provided as security by the Group are as follows:

<u>Pledged assets</u>	<u>Carrying amount</u>		<u>Purposes</u>
	<u>December 31, 2025</u>	<u>December 31, 2024</u>	
Demand deposits (listed in non-current financial assets at amortized cost)	\$ -	\$ 7,000	Pledged for long-term loan
Time deposits (listed in non-current financial assets at amortized cost)	8,880	34,089	Pledged for long-term loans, customs duties guarantee and lease guarantee
Buildings	156,802	166,833	Pledged for credit line of short-term loan
Machinery equipment	-	24,476	Pledged for long-term loan
	<u>\$ 165,682</u>	<u>\$ 232,398</u>	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Property, plant and equipment	<u>\$ 4,773</u>	<u>\$ 20,473</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company, upon resolution of the Board of Directors on March 11, 2026, subject to approval by the shareholders' meeting:

- A. Proposes to issue 1,000,000 new Restricted Stock Awards to employees without consideration.
- B. Proposes to conduct a private placement of common shares, with the total number to be issued not exceeding 15,000,000 shares.

12. OTHERS

(1) Capital management

The objective of capital management is to ensure the Group can continue to operate and grow, while optimizing debt and equity balances to provide sufficient returns to shareholders. The capital structure management strategy of the Group is based on the industry scale, future growth prospects and product development plans of our business, taking into account the cyclical fluctuations of the industry and product life cycles, in order to plan the necessary production capacity and corresponding capital expenditures and determine an appropriate capital structure for the Group. The management team of the Group regularly reviews the capital structure and considers the costs and risks associated with different capital structures. Generally, the Group adopts a prudent risk management strategy.

The Group's liability ratios were 27% and 26% as of December 31, 2025 and 2024, respectively.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 199,282	\$ 317,418
Financial assets at amortized cost	8,880	41,089
Accounts receivable(including related parties)	120,250	88,765
Other receivables	1,365	2,071
Refundable deposits	2,733	2,880
	<u>\$ 332,510</u>	<u>\$ 452,223</u>
	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Notes payable	\$ 1,350	\$ 50
Accounts payable(including related parties)	29,218	18,182
Other payables(including related parties)	101,480	82,101
Long-term loans(including current portion)	50,000	113,206
Deposits received	113	113
	<u>\$ 182,161</u>	<u>\$ 213,652</u>
Lease liabilities	<u>\$ 100,028</u>	<u>\$ 110,403</u>

B. Financial risk management policies

The Group's operating activities expose the Group to a variety of financial risks, including market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and

liquidity risk. The financial risk management policies of the Group focus on minimizing any adverse effects on the financial position and performance.

C. Nature and degree of significant financial risks

The risk management work is carried out by the financial units of the Group in accordance with the policies approved by the board of directors. The financial units of the Group work closely with the operational units of the Group and are responsible for identifying, evaluating, and avoiding financial risks. The financial risk management policy is regularly reviewed to reflect changes in market conditions and the operation of the Group.

(a) Market risk

Foreign exchange risk

- (i) The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Group used in various functional currency, primarily with respect to the USD, Japanese yen and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.
- (ii) The Group follows the principle of natural hedging and conducts hedging based on the market forex conditions according to the funding needs and net positions (the difference between foreign currency assets and liabilities positions) of each currency. When a short-term imbalance occurs, the Group will buy or sell foreign currency at the spot rate to ensure that the net exposure is maintained at an acceptable level.
- (iii) The Group's businesses involve some non-functional currency operations (the Company's and some subsidiaries' functional currency is NTD and some subsidiaries' functional currency is RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2025		
	Foreign current amount (in thousands)	Exchange rate	Carrying amount (NT\$ thousands)
Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 5,424	31.43	\$ 170,476
RMB : NTD	4,399	4.496	19,778
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 1,049	31.430	\$ 32,970
USD : RMB	438	7.0288	13,766
RMB : NTD	19,290	4.496	86,728

December 31, 2024			
	Foreign current amount	Exchange rate	Carrying amount
	(in thousands)		(NT\$ thousands)
Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 4,691	32.785	\$ 153,794
RMB : NTD	4,347	4.478	19,466
Yen : NTD	578	0.2099	121
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 504	32.785	\$ 16,524
USD : RMB	438	7.1884	14,360
RMB : NTD	24,492	4.478	109,675

(iv) Net currency exchange gains or loss (including realized and unrealized) arising from foreign exchange variation on the monetary items held by the Group for the three months and years ended December 31, 2025 and 2024 amounted to (\$10,966) and \$9,164, respectively.

(v) Analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

	2025		
	<u>Sensitivity analysis</u>		
	<u>Degree of variation</u>	<u>Effect on profit or loss</u>	<u>Effect on other comprehensive Income</u>
Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 1,705	\$ -
RMB : NTD	1%	198	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 330)	\$ -
USD : RMB	1%	(138)	-
RMB : NTD	1%	(867)	-

	2024		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive Income
Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 1,538	\$ -
RMB : NTD	1%	195	-
Yen : NTD	1%	1	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	(\$ 165)	\$ -
USD : RMB	1%	(144)	-
RMB : NTD	1%	(1,097)	-

Price risk

The Group had no equity instruments exposed to price risk at December 31, 2025 and 2024.

Cash flow and fair value interest rate risk

- (i) The Group's main interest rate risk arises from short-term loans and long-term loans with variable rates which expose the Group to cash flow interest rate risk. During the years ended December 31, 2025 and 2024, the Group's borrowings at variable rates were denominated in NTD and RMB.
- (ii) The Group's borrowings are measured at amortized cost and are repriced annually according to the contract's agreed-upon interest rate. Therefore, the Group is exposed to the risk of future market interest rate changes.
- (iii) When borrowing rates rise or fall by 1%, while all other factors remain constant, the Group's net profit after tax for the years ended December 31, 2025 and 2024, will decrease or increase by \$764 and \$1,760, respectively, mainly due to the fluctuation of interest expense resulting from floating-rate borrowings.

(b) Credit risk

- (i) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortized cost which were settled in accordance with contractual agreements.
- (ii) The Group manages its credit risk taking into consideration the entire group's concern. For banks and financial institutions, only well rated parties are accepted. According to the Group's credit policy, each operating entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality

of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings, and the utilization of credit limits is regularly monitored.

- (iii) In accordance with the underlying assumptions of IFRS 9, the Group considers that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due under the agreed terms.
- (iv) The default occurs when the contract payments are past due over one year.
- (v) The Group classifies customer's accounts receivable and applies the simplified approach using the provision matrix to estimate expected credit loss. For accounts receivable with objective evidence of individual impairment, the recoverable amount of individual assessed accounts is used as the basis for determining the impairment loss.
- (vi) The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - i. It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - ii. The disappearance of an active market for that financial asset because of financial difficulties;
 - iii. Default or delinquency in interest or principal repayments;
 - iv. Adverse changes in national or regional economic conditions that are expected to cause a default.
- (vii) The Group writes off financial assets after recourse procedures when there is no reasonable expectation of recovery. However, the Group still continues legal enforcement processes to preserve the rights of the claims. The amount of written-off claims still subject to enforcement activities was \$6,434 as of December 31, 2025 and 2024.
- (viii) The Group has incorporated forward-looking considerations to adjust the loss rate built according to historic and current data in order to estimate the loss allowance of accounts receivables. The provision matrix for December 31, 2025 and 2024 are shown as follows:

	Not past due	Less than 30 days past due	31~90 days past due	91~180 days past due	181~360 days past due	More than 360 days past due	Total carrying amount for individuals
<u>December 31, 2025</u>							
Expected loss rate	0.03%	0.03%	1%	3%	10%	100%	
Carrying amount	\$ 119,756	\$ 3,680	\$ 481	\$ -	\$ -	\$ -	\$ 123,917
Loss allowance	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ 5

	Individuals	Other	Total
<u>December 31, 2025</u>			
Expected loss rate	100%	0.03%~100%	
Carrying amount	\$ -	\$ 123,917	\$ 123,917
Loss allowance	\$ -	\$ 5	\$ 5

	Not past due	Less than 30 days past due	31~90 days past due	91~180 days past due	181~360 days past due	More than 360 days past due	Total carrying amount for individuals
<u>December 31, 2024</u>							
Expected loss rate	0.03%	0.03%	1%	3%	10%	100%	
Carrying amount	\$ 87,295	\$ 1,470	\$ -	\$ -	\$ -	\$ -	\$ 88,765
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>December 31, 2024</u>	<u>Individuals</u>	<u>Other</u>	<u>Total</u>
Expected loss rate	100%	0.03%-100%	
Carrying amount	\$ -	\$ 88,765	\$ 88,765
Loss allowance	\$ -	\$ -	\$ -

(ix) Movements in relation to the allowance for accounts receivable are as follows:

	<u>2025</u>	<u>2024</u>
January 1	\$ -	\$ 7,350
Recognition (Reversal)	5	(916)
Written off due to irrecoverability	-	(6,434)
December 31	<u>\$ 5</u>	<u>\$ -</u>

(c) Liquidity risk

(i) Cash flow forecasts are executed by each operating entities within the Group and summarized by the Group's financial units. The Group's financial units monitor the forecasted liquidity requirements of the Group to ensure that it has sufficient funds to support its operational needs and maintains sufficient unused borrowing commitments at all times to prevent the Group from violating relevant borrowing limits or terms. These forecasts take into account the Group's debt financing plan, compliance with debt terms, according with financial ratio targets on the internal balance sheet, and external regulatory requirements such as foreign exchange controls.

(ii) The table below analyses the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the financial reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2025

<u>Non-derivative financial liabilities</u> :	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>More than 5 years</u>
Notes payable	\$ 1,350	\$ -	\$ -	\$ -
Accounts payable (including related parties)	29,218	-	-	-
Other payables (including related parties)	101,480	-	-	-
Lease liabilities	7,575	7,575	22,726	72,596
Long-term loans (including current portion)	9,618	13,470	30,118	-

Derivative financial liabilities: none

December 31, 2024				
Non-derivative financial liabilities :	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Notes payable	\$ 50	\$ -	\$ -	\$ -
Accounts payable	18,182	-	-	-
Other payables (including related parties)	82,101	-	-	-
Lease liabilities	7,880	7,880	23,641	83,401
Long-term loans (including current portion)	28,114	86,610	2,537	-
<u>Derivative financial liabilities:</u> none				

(iii) The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis to be significantly earlier, nor expect the actual cash flow amount to be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables, lease liabilities and long-term loans (including current portion) are reasonably approximate to the fair values.

C. The Group had no significant financial instruments measured at fair value on December 31, 2025 and 2024.

D. For the years ended December 31, 2025 and 2024, there were no transfers between Level 1 and Level 2.

E. For the years ended December 31, 2025 and 2024, there were no changes of fair value for Level 3.

F. For the years ended December 31, 2025 and 2024, there were no transfers into or out from Level 3.

13. DISCLOSURES IN NOTES

(1) Information on significant transactions

A. Lending funds to others: Please refer to Table 1.

B. Providing endorsements or guarantees to others: Please refer to Table 2.

C. Holding of marketable securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint

venture): None.

D. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in-capital or more: None.

E. Receivables from related parties reaching \$100 million or 20% of paid-in-capital or more: None.

F. The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them: Please refer to Table 3.

(2) Information on investees

Names, locations, and related information of investees (excluding information on investment in mainland China): Please refer to Table 4.

(3) Information on investments in Mainland China

A. Basic information: Please refer to Table 5.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in China: Please refer to Table 6.

14. OPERATING SEGMENT INFORMATION

(1) General Information

The Company's management would identify reporting departments based on the reported information used by operational decision makers when making decisions.

The Company's operational decision-makers operate the business from a regional perspective. Currently, the Company focuses on the key components of optical communication in various regions. In addition to the parent company, to respond to the main customer's future market strategy, we continue to develop the operations of Zhuhai FTZ. ProRay Optoelectronics Technology Co., Ltd. and YLTLink Technology Corporation in the non-optical communication product field. Although their operating scales do not meet the quantitative threshold for reporting departments as stipulated in IFRS No. 8, they are considered potential growth areas by the Company, which can enhance the breadth of the Group's operations and overall competitiveness. Moreover, we expect that they will make significant contributions to the Company's revenue in the future, so we have decided to report these three departments.

TrueLight (B.V.I.) Ltd. and ProRay Limited are only equity investment companies and PHOSERTEK CORPORATION is still in the research and development stage, their businesses are not included in the reports submitted to the operating decision-makers. Therefore, they are not included in the departments that should be reported. The operating results of these companies are consolidated and expressed in the "Others" column.

(2) Measurement of Departmental Information

The accounting policies of the operating segments are summarized in the same manner as described in Note 4, and the Company's operating decision-makers evaluate the performance of each operating segment based on the financial reports prepared by each segment. The operating segment profit or loss is measured based on the pre-tax profit or loss of the continuing operations.

(3) Information on the income, assets, and liabilities of operating segments

The segment information provided to the chief operating decision maker for the reportable segments is as follows:

Year ended December 31, 2025	ZHUHAI FTZ		YLTLink Technology		Adjustments and Eliminations	Consolidation
	TrueLight Corporation	PRORAY CO., LTD.	Corporation	Others		
Segment revenue	\$ 670,178	\$ -	\$ 13,098	\$ -	\$ -	\$ 683,276
Internal revenue	\$ 68	\$ 13,194	\$ 17,544	\$ -	(\$ 30,806)	\$ -
Segment profit or loss	(\$ 116,351)	(\$ 32,059)	(\$ 10,228)	(\$ 1,939)	\$ 42	(\$ 160,535)
December 31, 2025						
Segment assets (note)	\$ 914,097	\$ 112,257	\$ 71,100	\$ 37,939	(\$ 115,314)	\$ 1,020,079
Segment liabilities	\$ 365,805	\$ 29,402	\$ 12,152	\$ 346	(\$ 119,666)	\$ 288,039
Year ended December 31, 2024						
Segment revenue	\$ 556,097	\$ 2	\$ 17,653	\$ -	\$ -	\$ 573,752
Internal revenue	\$ 40	\$ 12,467	\$ 24,663	\$ -	(\$ 37,170)	\$ -
Segment profit or loss	(\$ 162,346)	(\$ 66,727)	(\$ 22,461)	\$ 571	(\$ 3,912)	(\$ 254,875)
December 31, 2024						
Segment assets (note)	\$ 1,206,799	\$ 142,178	\$ 68,332	\$ 10,094	(\$ 252,169)	\$ 1,175,234
Segment liabilities	\$ 396,119	\$ 27,281	\$ 149,115	\$ -	(\$ 244,948)	\$ 327,567

Note : Deferred tax assets and financial instruments listed in non-current assets are not included.

(4)Reconciliation for segment income

Not applicable.

(5)Information on product types

External customers revenues mainly come from design, research and development, production and sales are applied to "optical fiber communication, 4G/5G mobile communication base station interconnection, cloud data center, 3D Sensing/Near-Field Sensing/Flood Illumination" Vertical Cavity Surface Emitting Laser (VCSEL), Edge laser (FP / DFB), photodiode (PIN / PINTIA)", including components, sub-modules, Light engine/AOC and other types of products. Please refer to Note 6(17) for details on the composition of operating revenue.

	<u>2025</u>	<u>2024</u>
Operating revenue	\$ 683,276	\$ 573,752

(6)Geographical information

Geographical information for the years ended December 31, 2025 and 2024 is as follows :

	<u>2025</u>		<u>2024</u>	
	<u>Revenue</u>	<u>Non-current assets</u>	<u>Revenue</u>	<u>Non-current Assets</u>
Taiwan	\$ 411,556	\$ 465,690	\$ 263,101	\$ 473,423
China	54,440	22,670	56,928	30,002
Austria	79,260	-	102,067	-
Singapore	67,098	-	66,371	-
South Korea	24,031	-	36,579	-
Others	46,891	-	48,706	-
Total	<u>\$ 683,276</u>	<u>\$ 488,360</u>	<u>\$ 573,752</u>	<u>\$ 503,425</u>

(7)Major customer information

Major customer information for the years ended December 31, 2025 and 2024 is as follows :

	<u>2025</u>	
	<u>Revenue</u>	<u>Segment</u>
T0436	\$ 82,922	Whole company
E0113	\$ 79,260	Whole company
	<u>2024</u>	
	<u>Revenue</u>	<u>Segment</u>
E0113	\$ 102,067	Whole company

TrueLight Corporation and Subsidiaries
Loans to others
Year ended December 31, 2025

Table 1

(Unless otherwise specified)																		
No. (Note 1)	Company that lent funds	Borrowing party	General ledger account	Related party?	Maximum Balance for the Period	Ending balance	Amount actually drawn	Range of Amount	Nature of loan	Amount of transaction with borrower	Reason for short- term financing	Amount of recognized impairment loss	Collateral		Limit on loans granted to a single party		Ceiling on total loan granted (Note 2)	Note
													Name	Value	(Note 2)	(Note 2)		
0	TrueLight Corporation	YLTLink Technology Corporation	Other Receivables – Related Parties	Y	\$ 94,890	\$ -	\$ -	2.5%-2.72%	Short-term financing	-	Working capital turnover and other receivables beyond the normal credit term shall be regarded as financings provided.	-	None	-	\$ 74,529	\$ 111,794		

Note 1 : The description of the number columns are as follows :

- (1) Fill in "0" for the issuer.
- (2) The investee company is numbered in sequence starting from the Arabic numeral 1 according to company type.

Note 2 : Amendment to the Operation Procedures of Funds Lending :

- (1) Aggregate amount of lending Funds :The accumulated total of loans granted shall not exceed 30% of the net worth of the Company. Where funds are lent to a company or business with business relationship, the accumulated amount of such loan shall not exceed 70% of the net worth of the Company. Where funds are lent to a company or business with a short-term financing need, the accumulated amount of such loans shall not exceed 50% of the net worth of the Company.
- (2) Maximum amount permitted to a single borrower The amount of an individual loan granted by the Company to a company or business with business relationship with the Company shall not exceed the business transaction amount in the past year between the parties. Where funds are lent to a company or business with short-term financial need, each individual loan shall not exceed 10% of the net worth of the Company.
- (3) "Business transaction amount" refers to the amount of purchase or sale between the parties, whichever is higher.

TrueLight Corporation and Subsidiaries
Provision of endorsements and guarantees to others
Year ended December 31, 2025

Table 2

Unit : NT\$ thousand
(Unless otherwise specified)

No. (Note 1)	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsements/guarantee provided for a single party (Note 3)	Maximum balance of endorsement /guarantee for the period (Note 4)	Ending balance of endorsement /guarantee	Actual amount drawn down	Amount of endorsements /guarantees secured with collateral	Ratio of accumulated Endorsement/ Guarantee to net equity per latest financial statement	Maximum Endorsement/ Guarantee amount allowable	Guarantee provided by parent company (Note 5)	Guarantee provided to parent company (Note 5)	Guarantee provided to the party in Mainland China (Note 5)	Note
		Company name	Relationship (Note 2)											
0	TrueLight Corporation	YLTLink Technology	(1)	\$ 111,474	\$ 25,209	\$ -	\$ -	\$ -	-	\$ 111,474	Y	N	N	-

Note1 : The numbers filled in for the endorsements /guarantees provided by the Company or subsidiaries are as follows :

- (1).The Company is '0'.
- (2).The subsidiaries are numbered in order starting from '1'.

Note2 : Relationship between the endorser/ guarantor and the party being endorsed /guaranteed is classified into the following seven categories:

- (1).Having business relationship.
- (2).The endorser /guarantor parent company owns directly and indirectly more than 50% voting shares of the of the endorsed /guaranteed subsidiary.
- (3).The endorsed /guaranteed company owns directly and indirectly more than 50% voting shares of the endorser /guarantor parent company.
- (4).The endorser /guarantor parent company owns directly and indirectly more than 90% voting shares of the of the endorsed /guaranteed company.
- (5).Mutual guarantee of the trade made by the endorsed/guaranteed company of joint contractor as required under the construction contract.
- (6).Due to joint venture, all shareholders provide endorsements/ guarantees to the endorsed /guaranteed company in proportion to its ownership.
- (7)Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note3 : According to the Company's Operating Procedures of Endorsement / Guarantees, the quota of endorsement/guarantee for a enterprise is limited to be up to 10% of the Company's latest financial statement paid-in capital.

For a company, which is held by 100% shareholdings by the Company, the quota of endorsement/guarantee is limited to be up to the financial statement paid-in capital.

Note4 : The maximum balance of endorsement/guarantee for others in the current year.

Note5 : Y must be filled in only if the parent company of the listed company endorses the subsidiary company, if the subsidiary company endorses the parent company of the listed company, and if it belongs to the mainland China area.

TrueLight Corporation and Subsidiaries
Significant inter-company transactions during the reporting period
Year ended December 31, 2025

Table 3

Unit : NT\$ thousand
(Unless otherwise specified)

No. (Note1)	Company name	Counterparty	Relationship (Note2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note3)
				General ledger account	Amount	Transaction terms	
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	1	Other payables	\$ 86,727	Note4	8%
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	1	Processing fee	13,194	Note4	2%
0	TrueLight Corporation	ZHUHAI FTZ PRORAY CO.,LTD	1	Other receivables	23,017	Note5	2%
0	TrueLight Corporation	YLTLINK Technology Corporation	1	Rental income	4,662	Note5	1%
0	TrueLight Corporation	YLTLINK Technology Corporation	1	Other receivables	1,635	Note5	-
0	TrueLight Corporation	YLTLINK Technology Corporation	1	Other payables	1,715	Note5	-
0	TrueLight Corporation	YLTLINK Technology Corporation	1	Technical service fee	17,544	Note5	3%

Note1 : The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1).Parent company is '0'.
- (2).The subsidiaries are numbered in order starting from '1'.

Note2 : Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction):

- (1).Parent company to subsidiary.
- (2).Subsidiary to parent company.
- (3).Subsidiary to subsidiary.

Note3 : Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note4 : The purchase and processing fees are handled according to the general purchase price and conditions, and the payment terms are monthly payment within 60 days.

Note5 : It is handled in accordance with the contract between the two parties.

Note6 : Transactions involving significant amounts are disclosed, and transactions with related parties are not disclosed separately.

TrueLight Corporation and Subsidiaries
Information on Investees (Excluding Mainland China Companies)
Year ended December 31, 2025

Table 4

Unit : NT\$ thousand
(Unless otherwise specified)

Investor	Investee	Location	Main Businesses Activities	Original investment amount		Shares held at the end of the period			Net income (losses) of the investee	Share of profit/losses of investee	Note
				Balance at December 31, 2025	Balance at December 31, 2024	Number of shares	Ownership (%)	Carrying amount			
TrueLight Corporation	TrueLight (B.V.I.) Ltd.	British Virgin Islands	Equity investment	\$ 404,471	\$ 404,471	13,000,000	100	\$ 93,596	(\$ 32,544)	(\$ 32,544)	
TrueLight Corporation	OPTOMEDIA TECHNOLOGY INC.	Taiwan	Manufacture and trading of wired and wireless communication machinery and equipment	103,642	103,642	2,660,016	32	30,861	14,365	4,556	
TrueLight (B.V.I.)Ltd.	ProRay Limited	Hongkong	Equity investment	387,176	387,176	12,500,000	100	83,987	(32,059)	(32,059)	
TrueLight Corporation	YLTLINK Technology Corporation	Taiwan	Electronic components fabricate	218,330	68,330	15,739,845	94	50,994	(10,228)	(5,842)	Note 1
TrueLight Corporation	PHOSERTEK CORPORATION	Taiwan	Electronic components fabricate	25,000	-	2,500,000	65	24,059	(1,454)	(941)	

Note 1 : The line includes adjustments for countercurrent transactions.

TrueLight Corporation and Subsidiaries
Information on Investments in Mainland China
Year ended December 31, 2025

Table 5

Unit : NT\$ thousand

(Unless otherwise specified)

Investee company	Main businesses activities	Paid-in capital	Method of investment (Note1)	Accumulated investment	Investment flows		Accumulated investment	Net income (losses) of the investee	Percentage of ownership	Share of profits (losses) (Note2)	Carrying amount of investment at December 31, 2025	Accumulated Inward	Note
				from Taiwan as of January 1, 2025	Outflow	Inflow	from Taiwan as of December 31, 2025					of earnings as of December 31, 2025	
ZHUHAI FTZ PRORAY CO.,LTD	Excludes Mainland China companies that design, produce, process	\$ 387,176	1	\$ 387,176	\$ -	\$ -	\$ 387,176	(\$ 32,059)	100%	(\$ 32,059)	\$ 83,987	\$ -	

Company name	Accumulated investment in Mainland China as of September 30, 2025	Investment amounts authorized by Investment Commission, MOEA	Upper limit on investment
TrueLight Corporation	\$ 387,176	\$ 397,066	\$ 457,341
	USD 12,500 thousand	USD 12,633 thousand	

Note1 : (1)Establish companies through investment in the third region and reinvest in Mainland China companies.

(2)Reinvest in Mainland China companies by reinvesting in existing companies in China regions.

Note2 : Investment gains and losses are recognized in accordance with the financial reports verified by the certified accountants of the parent company in Taiwan.

Note3 : At the end of the current period, the accumulated original investment amount was remitted from Taiwan to Zhuhai Free ZHUHAI FTZ PRORAY CO.,LTD. for US\$12,500.Expressed in thousands

Note4 : A total of USD12,640,000 was approved by the Investment Commission, MOEA of the Ministry of Economic Affairs, and USD6,647.90 was the remaining funds after the liquidation of branch companies in 2005.

TrueLight Corporation and Subsidiaries
Main Transactions of Mainland China Investment Information - Significant transactions occurred directly or indirectly
Year ended December 31, 2025

Table 6

Unit : NTS thousand
(Unless otherwise specified)

Investee Company	Sell (purchase) goods		Disposal of property		Other payables		Other receivables	
	Amount	%	Amount	%	Amount	%	Amount	%
ZHUHAI FTZ PRORAY CO.,LTD	(\$ 13,194)	(9%)	\$ -	-	(\$ 86,727)	(85%)	\$ 23,017	1686%