

**POLYTRONICS TECHNOLOGY CORP. AND
SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

YEARS ENDED DECEMBER 31, 2025 AND 2024

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.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR 25002056

To the Board of Directors and Shareholders of Polytronics Technology Corp.

Opinion

We have audited the accompanying consolidated balance sheets of Polytronics Technology Corp. and 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 material 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 Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Key audit matters for the Group during the year 2025 are as follows:

Inventory reserve – allowance for valuation loss

Description

Please refer to Notes 4(12), 5(2), and 6(4) of the consolidated financial statements for the accounting policies on inventories, critical accounting judgements and estimates and the details of inventories.

The Group is primarily engaged in the research, development, manufacture and sale of polymeric positive temperature coefficient thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, heat dispersing materials and LED lightings and modules. As the Group is in a rapidly changing industry and its products are especially susceptible to market price fluctuations, there is a higher risk of inventory losing value or becoming obsolete. Inventories are evaluated at the lower of cost and net realisable value, and the determination of the net realisable value of inventories aged over a certain period of time and individually identified as obsolete involves subjective judgements. Considering the aforementioned inventories and the allowance for inventory valuation losses are material to the consolidated financial statements, we assessed this as a key audit matter.

How our audit addressed the matter

Our procedures in relation to the provision for inventory valuation losses for over a certain period or individually obsolete included:

1. Ensured consistent application of accounting policies in relation to allowance for inventory valuation losses and assessed the reasonableness of these policies.
2. Validated the appropriateness of system logic of inventory aging report utilised by management to ensure proper classification of inventories aged over a certain period of time.
3. Evaluated the reasonableness of inventories individually identified as obsolete or damaged with supporting documents, and agreed to information obtained from physical inventory.
4. Discussed with management the net realisable value of inventories aged over a certain period of time and individually identified as obsolete or damaged, validated respective supporting documents and reperformed the calculation.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Polytronics Technology Corp. as at and for the years ended December 31, 2025 and 2024.

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 Issuer 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 controls as management determines are 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 audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

2. Obtain an understanding of internal controls 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 controls.
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 controls 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.

Li, Tien-Yi

Hsieh, Chih-Cheng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2026

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2025		December 31, 2024		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 710,252	18	\$ 690,756	16
1136	Current financial assets at amortised cost	6(2) and 8	429,345	11	631,458	14
1150	Notes receivable, net	6(3)	116,592	3	87,413	2
1170	Accounts receivable, net	6(3)	537,713	14	549,674	13
1180	Accounts receivable - related parties, net	6(3) and 7	91,818	2	112,004	3
1200	Other receivables		15,398	-	21,830	-
130X	Inventories	6(4)	568,338	14	625,006	14
1410	Prepayments		56,501	1	63,675	1
1470	Other current assets		6,271	-	1,863	-
11XX	Total current assets		<u>2,532,228</u>	<u>63</u>	<u>2,783,679</u>	<u>63</u>
Non-current assets						
1535	Non-current financial assets at amortised cost	6(2) and 8	30,816	1	30,790	1
1600	Property, plant and equipment	6(5) and 8	996,142	25	1,100,444	25
1755	Right-of-use assets	6(6)	179,171	4	201,744	5
1760	Investment property, net	6(8) and 8	98,767	2	101,321	2
1780	Intangible assets		109,778	3	130,917	3
1840	Deferred income tax assets	6(27)	19,071	1	17,075	-
1900	Other non-current assets		43,072	1	28,358	1
15XX	Total non-current assets		<u>1,476,817</u>	<u>37</u>	<u>1,610,649</u>	<u>37</u>
1XXX	Total assets		<u>\$ 4,009,045</u>	<u>100</u>	<u>\$ 4,394,328</u>	<u>100</u>

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2025		December 31, 2024		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 550,380	14	\$ 417,978	10
2130	Current contract liabilities	6(20)	2,811	-	3,515	-
2150	Notes payable		5,427	-	4,162	-
2170	Accounts payable		206,248	5	233,748	5
2200	Other payables	6(11)	319,418	8	288,886	7
2230	Current income tax liabilities		62,346	2	59,989	2
2280	Current lease liabilities		12,068	-	10,927	-
2320	Long-term liabilities, current portion	6(14)	70,000	2	47,961	1
2399	Other current liabilities, others	6(12)	244,076	6	277,652	6
21XX	Total current liabilities		<u>1,472,774</u>	<u>37</u>	<u>1,344,818</u>	<u>31</u>
Non-current liabilities						
2540	Long-term borrowings	6(14)	135,000	3	399,935	9
2570	Deferred income tax liabilities	6(27)	7,170	-	-	-
2580	Non-current lease liabilities		166,535	4	188,668	4
2600	Other non-current liabilities		31,466	1	28,728	1
25XX	Total non-current liabilities		<u>340,171</u>	<u>8</u>	<u>617,331</u>	<u>14</u>
2XXX	Total liabilities		<u>1,812,945</u>	<u>45</u>	<u>1,962,149</u>	<u>45</u>
Equity						
Equity attributable to owners of parent						
	Share capital	6(16)				
3110	Common stock		856,453	21	856,453	19
	Capital surplus	6(17)				
3200	Capital surplus		528,724	13	528,724	12
	Retained earnings	6(18)				
3310	Legal reserve		636,525	16	628,813	14
3320	Special reserve		209,752	5	33,220	1
3350	Unappropriated retained earnings		216,192	6	509,788	12
	Other equity interest	6(19)				
3400	Other equity interest		(215,273)	(5)	(209,751)	(5)
3500	Treasury stocks	6(16)	(48,208)	(1)	-	-
31XX	Equity attributable to owners of parent		<u>2,184,165</u>	<u>55</u>	<u>2,347,247</u>	<u>53</u>
36XX	Non-controlling interests		<u>11,935</u>	<u>-</u>	<u>84,932</u>	<u>2</u>
3XXX	Total equity		<u>2,196,100</u>	<u>55</u>	<u>2,432,179</u>	<u>55</u>
	Significant contingent liabilities and unrecognised contract commitments	9				
	Significant events after the reporting period	11				
3X2X	Total liabilities and equity		<u>\$ 4,009,045</u>	<u>100</u>	<u>\$ 4,394,328</u>	<u>100</u>

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2025 AND 2024

(Expressed in thousands of New Taiwan dollars except earnings per share amount)

Items	Notes	Year ended December 31				
		2025		2024		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(20) and 7	\$ 2,852,424	100	\$ 2,925,428	100
5000	Operating costs	6(4)	(2,048,039)	(72)	(2,012,390)	(69)
5950	Net operating margin		804,385	28	913,038	31
	Operating expenses	6(25)(26)				
6100	Selling and marketing expenses		(250,291)	(9)	(249,446)	(9)
6200	General and administrative expenses		(323,164)	(11)	(320,358)	(11)
6300	Research and development expenses		(225,988)	(8)	(244,214)	(8)
6450	Expected credit gains (losses)	12(2)	1,084	-	16,844	1
6000	Total operating expenses		(798,359)	(28)	(797,174)	(27)
6900	Operating profit		6,026	-	115,864	4
	Non-operating income and expenses					
7100	Interest income	6(21)	18,008	1	17,081	1
7010	Other income	6(22)	96,953	3	107,436	4
7020	Other gains and losses	6(23)	(27,543)	(1)	(15,956)	(1)
7050	Finance costs	6(24)	(25,742)	(1)	(29,078)	(1)
7000	Total non-operating income and expenses		61,676	2	79,483	3
7900	Profit before income tax		67,702	2	195,347	7
7950	Income tax expense	6(27)	(73,865)	(2)	(72,043)	(3)
8200	(Loss) profit for the year		<u>(\$ 6,163)</u>	<u>-</u>	<u>\$ 123,304</u>	<u>4</u>
	Other comprehensive income (loss)					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial (loss) gain on defined benefit plan	6(15)	(\$ 874)	-	\$ 11,199	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	175	-	(2,240)	-
8310	Components of other comprehensive (loss) gain that will not be reclassified to profit or loss		(699)	-	8,959	-
	Components of other comprehensive income (loss) that may be subsequently reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(19)	(30,061)	(1)	75,191	3
8360	Components of other comprehensive (loss) income that may be subsequently reclassified to profit or loss		(30,061)	(1)	75,191	3
8300	Other comprehensive (loss) income for the year, net of income tax		<u>(\$ 30,760)</u>	<u>(1)</u>	<u>\$ 84,150</u>	<u>3</u>
8500	Total comprehensive (loss) income for the year		<u>(\$ 36,923)</u>	<u>(1)</u>	<u>\$ 207,454</u>	<u>7</u>
	Profit (loss) attributable to:					
8610	Owners of parent		\$ 57,020	2	\$ 190,945	6
8620	Non-controlling interests		(63,183)	(2)	(67,641)	(2)
	Total		<u>(\$ 6,163)</u>	<u>-</u>	<u>\$ 123,304</u>	<u>4</u>
	Total comprehensive income (loss) attributable to:					
8710	Owners of parent		\$ 32,687	1	\$ 281,533	10
8720	Non-controlling interests		(69,610)	(2)	(74,079)	(3)
	Total		<u>(\$ 36,923)</u>	<u>(1)</u>	<u>\$ 207,454</u>	<u>7</u>
9750	Basic earnings per share (in dollars)	6(28)	\$ 0.67		\$ 2.23	
9850	Diluted earnings per share (in dollars)	6(28)	\$ 0.66		\$ 2.14	

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent														
		Capital surplus				Retained earnings				Other equity interest					
Notes	Common stock	Additional paid-in capital	Treasury stock transactions	Changes in ownership interests in subsidiaries	Employee stock options	Share options	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Other equity, others	Treasury stocks	Total	Non-controlling interests	Total equity
Year ended December 31, 2024															
	\$ 856,453	\$ 519,716	\$ 14,924	\$ 5,492	\$ 30,563	\$ 12,040	\$ 618,454	\$ 13,449	\$ 548,444	(\$ 33,220)	\$ -	\$ -	\$ 2,586,315	\$ 228,230	\$ 2,814,545
Balance at January 1, 2024	-	-	-	-	-	-	-	-	190,945	-	-	-	190,945	(67,641)	123,304
Profit (loss) for the year	-	-	-	-	-	-	-	-	8,959	81,629	-	-	90,588	(6,438)	84,150
Other comprehensive income (loss) 6(19)	-	-	-	-	-	-	-	-	199,904	81,629	-	-	281,533	(74,079)	207,454
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of 2023 earnings: 6(18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	10,359	-	(10,359)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	19,771	(19,771)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(85,645)	-	-	-	(85,645)	-	(85,645)
Cash distributed from surplus 6(18)	-	(42,823)	-	-	-	-	-	-	-	-	-	-	(42,823)	-	(42,823)
Changes in ownership interests6(12)(19)(in subsidiaries 29)	-	(5,696)	-	(5,492)	-	-	-	-	(122,785)	14,288	(272,448)	-	(392,133)	(69,219)	(461,352)
Balance at December 31, 2024	\$ 856,453	\$ 471,197	\$ 14,924	\$ -	\$ 30,563	\$ 12,040	\$ 628,813	\$ 33,220	\$ 509,788	\$ 62,697	(\$ 272,448)	\$ -	\$ 2,347,247	\$ 84,932	\$ 2,432,179
Year ended December 31, 2025															
	\$ 856,453	\$ 471,197	\$ 14,924	\$ -	\$ 30,563	\$ 12,040	\$ 628,813	\$ 33,220	\$ 509,788	\$ 62,697	(\$ 272,448)	\$ -	\$ 2,347,247	\$ 84,932	\$ 2,432,179
Balance at January 1, 2025	-	-	-	-	-	-	-	-	57,020	-	-	-	57,020	(63,183)	(6,163)
Profit (loss) for the year	-	-	-	-	-	-	-	-	699	(23,634)	-	-	(24,333)	(6,427)	(30,760)
Other comprehensive loss 6(19)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	56,321	(23,634)	-	-	32,687	(69,610)	(36,923)
Distribution of 2024 earnings: 6(18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	7,712	-	(7,712)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	176,532	(176,532)	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	-	(149,879)	-	-	-	(149,879)	-	(149,879)
Changes in ownership interests6(12)(19)(in subsidiaries 29)	-	-	-	-	-	-	-	-	(15,794)	(14,288)	32,400	-	2,318	(3,387)	(1,069)
Purchase of treasury stocks 6(16)	-	-	-	-	-	-	-	-	-	-	-	(48,208)	(48,208)	-	(48,208)
Balance at December 31, 2025	\$ 856,453	\$ 471,197	\$ 14,924	\$ -	\$ 30,563	\$ 12,040	\$ 636,525	\$ 209,752	\$ 216,192	\$ 24,775	(\$ 240,048)	(\$ 48,208)	\$ 2,184,165	\$ 11,935	\$ 2,196,100

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2025	2024
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 67,702	\$ 195,347
Adjustments			
Adjustments to reconcile profit (loss)			
Net profit on financial assets at fair value through profit or loss		-	2,984
Expected credit gains	12(2)	(1,084)	(16,844)
Depreciation	6(25)	190,728	198,946
Amortisation	6(25)	26,195	32,651
Interest expense	6(24)	25,742	29,078
Interest income	6(21)	(18,008)	(17,081)
Losses on disposal of property and equipment	6(23)	15,658	1,751
Impairment of non-financial assets	6(10)(23)	-	11,051
Foreign exchange net gain or loss		(1,087)	1,264
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		(29,179)	87,974
Accounts receivable		40,506	(112,220)
Accounts receivable - related parties		20,186	(56,876)
Other receivables		6,432	(3,967)
Inventories		56,668	12,141
Prepayments		7,174	(16,473)
Other current assets		(4,408)	(389)
Changes in operating liabilities			
Contract liabilities		(704)	(10,599)
Notes payable		1,265	(34,436)
Accounts payable		(27,500)	70,737
Other payables		30,256	38,327
Other current liabilities		(33,576)	(3,694)
Defined benefit liabilities		1,341	(6,700)
Other non-current liabilities		698	445
Cash inflow generated from operations		375,005	403,417
Interest received		18,008	17,081
Interest paid		(25,742)	(29,078)
Income tax paid		(66,393)	(65,869)
Net cash flows from operating activities		<u>300,878</u>	<u>325,551</u>

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POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2025	2024
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 616,046)	(\$ 849,329)
Proceeds from disposal of financial assets at amortised cost		817,842	378,887
Acquisition of property, plant and equipment	6(30)	(121,125)	(135,049)
Proceeds from disposal of property, plant and equipment		8,731	7,377
Acquisition of intangible assets		(10,090)	(7,576)
Increase in refundable deposits		(934)	(1,921)
Net cash flows from (used in) investing activities		<u>78,378</u>	<u>(607,611)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(31)	730,958	1,650,640
Repayment of short-term borrowings	6(31)	(622,883)	(1,627,413)
Proceeds from long-term borrowings	6(31)	35,000	600,000
Repayment of long-term borrowings	6(31)	(277,896)	(152,104)
Repayment of corporate bonds	6(31)	-	(264,700)
Repayment of lease liabilities	6(31)	(11,435)	(11,559)
Cash dividends paid (including cash distributed from capital surplus)	6(18)	(149,879)	(128,468)
Change in non-controlling interests	6(29)	(33,442)	(199,800)
Purchase of treasury stocks	6(16)	(48,208)	-
Net cash flows used in financing activities		<u>(377,785)</u>	<u>(133,404)</u>
Effect of exchange rate		<u>18,025</u>	<u>(47,723)</u>
Net increase (decrease) in cash and cash equivalents		19,496	(463,187)
Cash and cash equivalents at beginning of year	6(1)	<u>690,756</u>	<u>1,153,943</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 710,252</u>	<u>\$ 690,756</u>

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

POLYTRONICS TECHNOLOGY CORP. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Polytronics Technology Corporation (the “Company”) was incorporated on December 18, 1997 and commenced operations on August 1, 1999. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the research, development, manufacture and sale of polymeric positive temperature coefficient thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, heat dispersing materials and LED lightings and modules.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 12, 2026.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS[®]”) Accounting Standards that came into effect 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 (“IASB”)</u>
Amendments to IAS 21, ‘Lack of exchangeability’	January 1, 2025

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

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

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

New Standards, Interpretations and Amendments	Effective date by IASB
Specific provisions of 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 impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) IFRS Accounting Standards 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:

New Standards, Interpretations and Amendments	Effective date by IASB
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by IASB
IFRS 18, ‘Presentation and disclosure in financial statements’	January 1, 2027(Note)
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 impact to the Group’s financial condition and financial performance based on the Group’s assessment.

IFRS 18, ‘Presentation and disclosure in financial statements’

IFRS 18, ‘Presentation and disclosure in financial statements’ replaces IAS 1. The standard introduces a defined structure of the statement of profit or loss, 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 MATERIAL 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. Except for the defined benefit liabilities recognized based on the net amount of pension fund assets present value of defined benefit obligation, the 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 judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement 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 unrealised 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 non-controlling 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 recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiaries	Main Business Activities	Ownership (%)		Note
			December 31, 2025	December 31, 2024	
Polytronics Technology Corporation	Polytronics (B.V.I.) Corporation	Investments and general business operations	100	100	
Polytronics Technology Corporation	TCLAD Technology Corporation	Manufacturing of the thermal conductive board	83.21	80.94	
TCLAD Technology Corporation	TCLAD Inc.	Manufacturing of the thermal conductive board	100	100	
TCLAD Technology Corporation	TCLAD Europe GmbH	Manufacturing of the thermal conductive board	100	85	Note
TCLAD Technology Corporation	Suzhou TCLAD Electronic Technology Co., Ltd.	Manufacturing of the thermal conductive board	100	100	
Polytronics (B.V.I.) Corporation	Kunshan Polystar Electronics Co., Ltd.	Production and sale of varistor and potentiometer	100	100	
Kunshan Polystar Electronics Co., Ltd.	PolyStellar Electronics Co., Ltd.	Production and sale of resistors, discrete semiconductor devices and other resistive elements	100	100	

Note: During the year 2025, the Group acquired a 15% equity interest in the subsidiary TCLAD Europe GmbH for cash consideration of \$1,042 and has completed the registration of the change.

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:

As of December 31, 2025 and 2024, the non-controlling interests amounted to \$11,935 and \$84,932, respectively. The information of non-controlling interests and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interests	
		December 31, 2025	
		Amount	Ownership (%)
TCLAD Technology Corporation	Taiwan	\$ 11,935	16.79%

Name of subsidiary	Principal place of business	Non-controlling interests	
		December 31, 2024	
		Amount	Ownership (%)
TCLAD Technology Corporation	Taiwan	\$ 84,932	19.06%

Balance sheet:

	TCLAD Technology Corporation and Subsidiaries	
	December 31, 2025	December 31, 2024
Current assets	\$ 576,014	\$ 644,130
Non-current assets	523,960	650,957
Current liabilities	(821,961)	(602,269)
Non-current liabilities	(206,940)	(245,213)
Total net assets	\$ 71,073	\$ 447,605

Statement of comprehensive income:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2025 to December 31, 2025	January 1, 2024 to December 31, 2024
Revenue	\$ 1,093,188	\$ 1,202,074
Loss before income tax	(343,204)	(223,891)
Income tax (expense) benefit	(353)	15
Loss for the period	(343,557)	(223,876)
Other comprehensive (loss) income, net of income tax	(31,906)	45,756
Total comprehensive loss	(\$ 375,463)	(\$ 178,120)
Total comprehensive (loss) income attributable to non-controlling interests	(\$ 69,610)	(\$ 74,079)
Dividends paid to non-controlling interests	\$ -	\$ -

Statement of cash flows:

	TCLAD Technology Corporation and Subsidiaries	
	January 1, 2025 to December 31, 2025	January 1, 2024 to December 31, 2024
Net cash used in operating activities	(\$ 149,018)	(\$ 140,920)
Net cash used in investing activities	(10,626)	(66,015)
Net cash provided by financing activities	132,084	98,350
Effect of exchange rates	(12,267)	10,704
Decrease in cash and cash equivalents	(39,827)	(97,881)
Cash and cash equivalents, beginning of period	129,837	228,718
Cash and cash equivalents, end of period	\$ 90,010	\$ 130,837

(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.

A. 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 recognised 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 re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised 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 recognised 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 recognised 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 based on the nature of those transactions are presented in the statement of comprehensive income within “Other gains and losses”.

B. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(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 that are expected to be realised, or are intended to be sold or consumed in the normal operating cycle;
- (b) Assets that are held primarily for the purpose of trading;
- (c) Assets that are expected to be realised within twelve months after the reporting period;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities for at least twelve months after the reporting period.

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 in the normal operating cycle;
- (b) Liabilities that are held primarily for the purpose of trading;
- (c) Liabilities that are due to be settled within twelve months after the reporting period;
- (d) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

(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 Group's business model is achieved by collecting contractual cash flows.
- (b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. 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. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered 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 debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(11) Leasing arrangements (lessor) — operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised 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 realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(13) 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. Land is not depreciated. Other property, plant and equipment are measured at cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must 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	3 ~ 50 years
Machinery and equipment	2 ~ 20 years
Office equipment	3 ~ 7 years
Transportation equipment	1 ~ 10 years
Computer and communication equipment	3 ~ 6 years
Leasehold improvements	2 ~ 8 years
Other equipment	2 ~ 10 years

(14) 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, 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. At the commencement date, the right-of-use asset is stated at cost comprising the following:

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

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

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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 recognised as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(16) Intangible assets

A. Intangible assets consist of software costs and is amortised on a straight-line basis over its estimated useful life of 1 to 15 years.

B. 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 recognised 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. When the circumstances or reasons for recognising 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 amortised historical cost would have been if the impairment had not been recognised.

- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised 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 comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares). The Group classifies the bonds payable and derivative features embedded in convertible bonds upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

- A. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'Finance costs' over the period of circulation using the effective interest method.
- B. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'Capital surplus-share options' at the residual amount of total issue price less bonds payable as stated above. Conversion options are not subsequently remeasured.

- C. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.
- D. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total carrying amount of the abovementioned liability component and 'Capital surplus-share options'.

(21) Derecognition of financial liabilities

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

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and are recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Past service costs are recognised immediately in profit or loss.

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognised 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.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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, 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

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.

(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

Sales of goods

The Group manufactures and sells polymeric positive temperature coefficient thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, heat dispersing materials and LED lightings and modules. Sales are recognised when control of the products has transferred. 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 Group has objective evidence that all criteria for acceptance have been satisfied.

The Group entered into contracts with customers to sell goods and to render service. 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.

(27) 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.

(28) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

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 judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Inventory valuation

The Group is primarily engaged in the research, development, manufacture and sale of polymeric positive temperature coefficient thermistors, overvoltage protective devices and its production related semi-finished goods, modules and dies, thermal conductive boards, thermal module, heat dispersing materials and LED lightings and modules. As the Group is in a rapidly changing industry and its products are especially susceptible to market price fluctuations, there is a higher risk of inventory losing value or becoming obsolete. Inventories are evaluated at the lower of cost and net realisable value, and the Group must use judgements and estimates to determine the net realisable value of inventories aged over a certain period of time and individually identified as obsolete on balance sheet date. Therefore, there might be material changes to the valuation.

As of December 31, 2025, the carrying amount of inventories was \$568,338.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash on hand and revolving funds	\$ 401	\$ 275
Checking accounts and demand deposits	382,869	595,313
Time deposits	326,982	95,168
	<u>\$ 710,252</u>	<u>\$ 690,756</u>

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.

(2) Financial assets at amortised cost

<u>Items</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Current items:		
Time deposits	<u>\$ 429,345</u>	<u>\$ 631,458</u>
Non-current items:		
Time deposits	<u>\$ 30,816</u>	<u>\$ 30,790</u>

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Interest income	<u>\$ 8,881</u>	<u>\$ 4,851</u>

B. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

The counterparties of the Group's investments in certificates of deposit are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(3) Notes and accounts receivable

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Notes receivable	\$ 116,592	\$ 87,413
Accounts receivable	\$ 541,316	\$ 554,667
Accounts receivable - related parties	91,818	112,004
Less: Loss allowance	(3,603)	(4,993)
	<u>\$ 629,531</u>	<u>\$ 661,678</u>

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

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 547,892	\$ 116,592	\$ 531,391	\$ 87,413
Up to 30 days	52,698	-	104,119	-
31 to 90 days	25,050	-	21,529	-
91 to 180 days	3,876	-	685	-
Over 180 days	3,618	-	8,947	-
	<u>\$ 633,134</u>	<u>\$ 116,592</u>	<u>\$ 666,671</u>	<u>\$ 87,413</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2025 and 2024, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2024, the balance of receivables from contracts with customers amounted to \$672,555.
- C. As of December 31, 2025 and 2024, without taking into account any collaterals held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$116,592 and \$87,413, respectively, and accounts receivable were \$629,531 and \$661,678, respectively.
- D. As of December 31, 2025, the Group had outstanding discounted accounts receivable amounting to \$27,462. The Group has payment obligation when the drawers of the accounts refuse to pay for the accounts at maturity. However, in general, the Group does not expect that the drawers of the accounts would refuse to pay for the accounts at maturity. The liabilities arising on discounted accounts receivable were presented as short-term borrowings.
- E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(4) Inventories

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Raw materials	\$ 188,578	\$ 207,972
Work-in-progress	167,311	185,315
Finished goods	<u>212,449</u>	<u>231,719</u>
	<u>\$ 568,338</u>	<u>\$ 625,006</u>

The cost of inventories recognised as expense for the period:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Cost of goods sold	\$ 2,052,222	\$ 2,026,335
Gain from price recovery decline in market value	(4,183)	(13,945)
	<u>\$ 2,048,039</u>	<u>\$ 2,012,390</u>

The Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because some inventories with allowance for valuation loss had been sold during the years ended December 31, 2025 and 2024.

(5) Property, plant and equipment

2025

	Land	Buildings	Machinery equipment	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Other equipment	Construction in progress and equipment under inspection	Total
At January 1										
Cost	\$ 2,504	\$ 1,079,515	\$ 1,202,740	\$ 14,112	\$ 8,398	\$ 28,507	\$ 22,910	\$ 215,246	\$ 210	\$ 2,574,142
Accumulated depreciation and impairment	-	(478,933)	(761,798)	(10,580)	(6,483)	(22,128)	(15,000)	(178,776)	-	(1,473,698)
	<u>\$ 2,504</u>	<u>\$ 600,582</u>	<u>\$ 440,942</u>	<u>\$ 3,532</u>	<u>\$ 1,915</u>	<u>\$ 6,379</u>	<u>\$ 7,910</u>	<u>\$ 36,470</u>	<u>\$ 210</u>	<u>\$ 1,100,444</u>
Opening net book amount	\$ 2,504	\$ 600,582	\$ 440,942	\$ 3,532	\$ 1,915	\$ 6,379	\$ 7,910	\$ 36,470	\$ 210	\$ 1,100,444
Additions	-	823	52,409	469	2,356	4,265	400	32,324	14,575	107,621
Disposals	-	(153)	(22,548)	(41)	(88)	(69)	-	(1,490)	-	(24,389)
Reclassifications	-	3,925	(18,677)	-	-	-	-	18,677	(3,925)	-
Depreciation	-	(30,299)	(125,181)	(1,065)	(1,697)	(3,165)	(978)	(12,764)	-	(175,149)
Net exchange differences	(104)	(6,777)	(6,863)	(58)	517	(89)	-	969	20	(12,385)
Closing net book amount	<u>\$ 2,400</u>	<u>\$ 568,101</u>	<u>\$ 320,082</u>	<u>\$ 2,837</u>	<u>\$ 3,003</u>	<u>\$ 7,321</u>	<u>\$ 7,332</u>	<u>\$ 74,186</u>	<u>\$ 10,880</u>	<u>\$ 996,142</u>
At December 31										
Cost	\$ 2,400	\$ 1,076,029	\$ 981,072	\$ 14,117	\$ 8,348	\$ 31,098	\$ 23,310	\$ 252,833	\$ 10,880	\$ 2,400,087
Accumulated depreciation and impairment	-	(507,928)	(660,990)	(11,280)	(5,345)	(23,777)	(15,978)	(178,647)	-	(1,403,945)
	<u>\$ 2,400</u>	<u>\$ 568,101</u>	<u>\$ 320,082</u>	<u>\$ 2,837</u>	<u>\$ 3,003</u>	<u>\$ 7,321</u>	<u>\$ 7,332</u>	<u>\$ 74,186</u>	<u>\$ 10,880</u>	<u>\$ 996,142</u>

2024

	Land	Buildings	Machinery equipment	Office equipment	Transportation equipment	Computer and communication equipment	Leasehold improvements	Other equipment	Construction in progress and equipment under inspection	Total
At January 1										
Cost	\$ 2,345	\$ 1,056,152	\$ 1,084,697	\$ 14,353	\$ 12,780	\$ 26,020	\$ 15,001	\$ 212,337	\$ 1,452	\$ 2,425,137
Accumulated depreciation and impairment	-	(430,116)	(639,687)	(10,433)	(9,939)	(18,751)	(14,311)	(180,726)	-	(1,303,963)
	<u>\$ 2,345</u>	<u>\$ 626,036</u>	<u>\$ 445,010</u>	<u>\$ 3,920</u>	<u>\$ 2,841</u>	<u>\$ 7,269</u>	<u>\$ 690</u>	<u>\$ 31,611</u>	<u>\$ 1,452</u>	<u>\$ 1,121,174</u>
Opening net book amount	\$ 2,345	\$ 626,036	\$ 445,010	\$ 3,920	\$ 2,841	\$ 7,269	\$ 690	\$ 31,611	\$ 1,452	\$ 1,121,174
Additions	-	1,726	99,403	702	1,925	2,880	6,529	7,495	17,674	138,334
Disposals	-	-	(2,766)	(150)	(2,972)	(76)	-	(3,164)	-	(9,128)
Reclassifications	-	(2,422)	5,370	-	-	-	1,380	14,588	(18,916)	-
Depreciation	-	(42,200)	(119,732)	(1,114)	(767)	(3,833)	(689)	(14,787)	-	(183,122)
Net exchange differences	159	17,442	13,657	174	888	139	-	727	-	33,186
Closing net book amount	<u>\$ 2,504</u>	<u>\$ 600,582</u>	<u>\$ 440,942</u>	<u>\$ 3,532</u>	<u>\$ 1,915</u>	<u>\$ 6,379</u>	<u>\$ 7,910</u>	<u>\$ 36,470</u>	<u>\$ 210</u>	<u>\$ 1,100,444</u>
At December 31										
Cost	\$ 2,504	\$ 1,079,515	\$ 1,202,740	\$ 14,112	\$ 8,398	\$ 28,507	\$ 22,910	\$ 215,246	\$ 210	\$ 2,574,142
Accumulated depreciation and impairment	-	(478,933)	(761,798)	(10,580)	(6,483)	(22,128)	(15,000)	(178,776)	-	(1,473,698)
	<u>\$ 2,504</u>	<u>\$ 600,582</u>	<u>\$ 440,942</u>	<u>\$ 3,532</u>	<u>\$ 1,915</u>	<u>\$ 6,379</u>	<u>\$ 7,910</u>	<u>\$ 36,470</u>	<u>\$ 210</u>	<u>\$ 1,100,444</u>

- A. For the years ended December 31, 2025 and 2024, there was no capitalisation of borrowing interests attributable to property, plant and equipment.
- B. Information about property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. Above property, plant and equipment are owner-occupied.

(6) Leasing arrangements — lessee

A. The Group leases various assets including land, buildings, transportation equipment and business vehicles. Lease agreements are typically made for periods of 2 to 50 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 charge are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 157,667	\$ 178,927
Buildings	10,018	14,259
Transportation equipment	6,275	7,183
Office equipment	5,211	1,375
	<u>\$ 179,171</u>	<u>\$ 201,744</u>
	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 5,177	\$ 5,431
Buildings	4,242	5,416
Transportation equipment	2,827	2,212
Office equipment	779	212
	<u>\$ 13,025</u>	<u>\$ 13,271</u>

C. For the years ended December 31, 2025 and 2024, the additions to right-of-use assets were \$6,552 and \$17,036, respectively.

D. The information on profit and loss accounts relating to lease agreements is as follows:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 3,143</u>	<u>\$ 3,303</u>

E. For the years ended December 31, 2025 and 2024, the Group's total cash outflow for leases were \$14,578 and \$14,862, respectively.

F. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(7) Leasing arrangements – lessor

- A. The Group leases buildings to others. Lease agreements are typically made for periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To protect the lessor's ownership rights on the leased assets, leased assets may not be used as security for borrowing purposes, or a residual value guarantee was required.
- B. For the years ended December 31, 2025 and 2024, the Group recognised rent income in the amounts of \$44,541 and \$49,130, respectively, based on the operating lease agreement, which does not include variable lease payments.
- C. The maturity analysis of the lease payments under the operating leases is as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
2025	\$ -	\$ 44,921
2026	38,747	38,747
2027	14,576	14,576
2028	380	380
2029	380	-
	<u>\$ 54,083</u>	<u>\$ 98,624</u>

(8) Investment property

	<u>2025</u>	<u>2024</u>
	<u>Buildings</u>	<u>Buildings</u>
At January 1		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(28,917)	(26,364)
	<u>\$ 101,321</u>	<u>\$ 103,874</u>
Opening net book amount	\$ 101,321	\$ 103,874
Depreciation	(2,554)	(2,553)
Closing net book amount	<u>\$ 98,767</u>	<u>\$ 101,321</u>
At December 31		
Cost	\$ 130,238	\$ 130,238
Accumulated depreciation	(31,471)	(28,917)
	<u>\$ 98,767</u>	<u>\$ 101,321</u>

- A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Rental income from investment property	<u>\$ 44,541</u>	<u>\$ 47,931</u>
Direct operating expenses arising from the investment property that generated rental income during the period	<u>\$ 3,513</u>	<u>\$ 3,339</u>

- B. The fair value of investment property held by the Group as of December 31, 2025 and 2024, were \$323,016 and \$265,364, respectively. The fair value is estimated using the valuation method frequently used by market participants which is categorised with Level 3 in the fair value hierarchy. The valuation is based on evidence of similar trading prices.
- C. Information about the investment property that was pledged to others as collaterals is provided in Note 8.

(9) Impairment of non-financial assets

For the year ended December 31, 2025: None.

The Group recognised impairment loss for the year ended December 31, 2024 amounting to \$11,051.

Details of such loss are as follows:

	Year ended December 31, 2024	
	Recognised in profit or loss	Recognised in other comprehensive income
Impairment loss – goodwill	\$ 11,051	\$ -

As the component of an entity that generated goodwill continually incurred loss under the Group's assessment, and the recoverable amount is expected to be lower than the carrying amount, therefore, the Group recognised impairment loss for the goodwill generated from the business combination amounting to \$11,051.

(10) Short-term borrowings

Type of borrowings	December 31, 2025	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 328,629	2.05%~4.53%	None
Secured borrowings	221,751	1.94%~6.95%	Buildings and accounts receivable
	<u>\$ 550,380</u>		
Type of borrowings	December 31, 2024	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 165,885	2.19%~5.19%	None
Secured borrowings	252,093	1.94%~6.95%	Buildings and time deposits
	<u>\$ 417,978</u>		

Interest expense recognised in profit or loss amounted to \$20,818 and \$22,240 for the years ended December 31, 2025 and 2024, respectively.

(11) Other payables

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Wages and salaries payable	\$ 129,387	\$ 114,212
Employee bonus and directors' remuneration payable	43,500	47,500
Payables on machinery and equipment	10,107	9,831
Others	136,424	117,343
	<u>\$ 319,418</u>	<u>\$ 288,886</u>

(12) Other current liabilities, others

To optimize the equity structure and development of the Company's subsidiary, TCLAD Technology Corporation, if other shareholders request the Company or a third party to purchase their shares in accordance with the agreement, the Company taking into consideration the long-term equity stability and the industry, will purchase the shares of TCLAD Technology Corporation held by the external shareholders under the premise of having sufficient funds. As of December 31, 2025 and 2024, other liabilities were accrued amounting to \$240,048, and \$272,448, respectively.

(13) Bonds payable

A. On November 11, 2020, the Company's Board of Directors resolved to issue the first domestic unsecured convertible bonds. The issuance has been approved by the FSC and was issued on January 18, 2021. The issuance duration was from January 18, 2021 to January 18, 2024. An amount of \$264,700 had been paid in January 2024.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to \$16,374 were separated from the liability component and were recognised in "Capital surplus – share options" in accordance with IAS 32. The effective interest rate of the bonds payable after such separation was 1.5989%. Through January 18, 2024, the convertible corporate bonds with face value of \$95,300 have been converted into 944 thousand ordinary shares.

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period</u>	<u>Repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2025</u>
Long-term bank borrowings					
Unsecured borrowings	2024/06/06~ 2027/07/26	Repayable in instalment over the agreed period	2.00%~ 2.12%	None	\$ 170,000
Secured borrowings	2025/08/07~ 2030/08/07	Repayable in instalment over the agreed period	2.22%	Buildings	<u>35,000</u>
					205,000
Less: Long-term borrowings, current portion					(70,000)
					<u>\$ 135,000</u>

Type of borrowings	Borrowing period	Repayment term	Interest rate range	Collateral	December 31, 2024
Long-term bank borrowings					
Unsecured borrowings					
	2024/06/06~	Repayable in instalment over	1.99%~		
	2027/08/30	the agreed period	2.00%	None	\$ 323,007
Secured borrowings					
	2024/06/06~	Repayable in instalment over	1.97%~		
	2027/08/30	the agreed period	2.12%	Buildings	124,889
					447,896
Less: Long-term borrowings, current portion					(47,961)
					<u>\$ 399,935</u>

(15) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2.5% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Present value of defined benefit obligations	\$ 74,310	\$ 68,410
Fair value of plan assets	(64,094)	(59,124)
Net defined benefit liabilities	<u>\$ 10,216</u>	<u>\$ 9,286</u>

(c) Movements in net defined benefit liabilities are as follows:

	2025		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	(\$ 68,410)	\$ 59,124	(\$ 9,286)
Current service cost	(593)	-	(593)
Interest (expense) income	(1,094)	946	(148)
	<u>(70,097)</u>	<u>60,070</u>	<u>(10,027)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,039	4,039
Change in financial assumptions	(1,294)	-	(1,294)
Experience adjustments	(3,619)	-	(3,619)
	<u>(4,913)</u>	<u>4,039</u>	<u>(874)</u>
Pension fund contribution	-	685	685
Paid pension	700	(700)	-
At December 31	<u><u>(\$ 74,310)</u></u>	<u><u>\$ 64,094</u></u>	<u><u>(\$ 10,216)</u></u>
	2024		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
At January 1	(\$ 80,643)	\$ 54,757	(\$ 25,886)
Current service cost	(962)	-	(962)
Interest (expense) income	(968)	657	(311)
	<u>(82,573)</u>	<u>55,414</u>	<u>(27,159)</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	4,915	4,915
Change in financial assumptions	1,807	-	1,807
Experience adjustments	4,477	-	4,477
	<u>6,284</u>	<u>4,915</u>	<u>11,199</u>
Pension fund contribution	-	1,309	1,309
Paid pension	7,879	(2,514)	5,365
At December 31	<u><u>(\$ 68,410)</u></u>	<u><u>\$ 59,124</u></u>	<u><u>(\$ 9,286)</u></u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the fund's annual investment and utilisation plan and the Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2025 and 2024 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Discount rate	1.3%	1.6%
Future salary increases	4%	4%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2025</u>				
Effect on present value of defined benefit obligation	\$ 1,082	\$ 1,119	\$ 973	(\$ 948)
<u>December 31, 2024</u>				
Effect on present value of defined benefit obligation	(\$ 1,080)	\$ 1,118	\$ 983	(\$ 956)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liabilities in the balance sheet are the same.

- (f) There are no expected contributions to the defined benefit pension plans of the Group for the next year.
 - (g) As of December 31, 2025, the weighted average duration of the retirement plan is 7 years.
- B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Mainland China subsidiary has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations.
 - (c) The Group’s US subsidiary has established a 401(K) pension plan in accordance with Section 401(K) of the Internal Revenue Code (IRC). All eligible employees can elect to have a certain portion of their salaries contributed to their individual pension accounts according to the contribution limit. The US subsidiary makes a matching contribution of no higher than 8% of each employee’s salary to their individual pension accounts.
 - (d) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2025 and 2024, were \$35,500 and \$37,178, respectively.
- C. In addition, effective in 2018, in order to provide for the pension of appointed managers, the Company has made provision for the pension at 4% of their total paid salaries monthly. Pension payments shall be taken from the provision when the managers actually retire. However, if such provision is insufficient, the deficiency shall be recognised as expenses for the year. Provision for appointed managers amounted to \$1,109 and \$942 for the years ended December 31, 2025 and 2024, respectively.

(16) Share capital

- A. As of December 31, 2025, the Company’s authorised capital was \$1,000,000, consisting of 100,000 thousand shares of ordinary share (including 5 million shares reserved for employee stock options), and the paid-in capital was \$856,453 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- Movements in the number of the Company’s ordinary shares outstanding are as follows (in thousands of shares):

	<u>2025</u>	<u>2024</u>
At January 1	85,645	85,645
Repurchase	(1,000)	-
At December 31	<u>84,645</u>	<u>85,645</u>
	<u>2025</u>	<u>2024</u>
Shares issued at January 1	85,645	85,645
Treasury shares	-	-
Outstanding shares at January 1	<u>85,645</u>	<u>85,645</u>
Shares issued at December 31	85,645	85,645
Treasury shares	(1,000)	-
Outstanding shares at December 31	<u>84,645</u>	<u>85,645</u>

B. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows (in thousands of shares):

		<u>December 31, 2025</u>	
<u>Name of company holding</u>	<u>Reason for reacquisition</u>	<u>Number of</u>	<u>Carrying amount</u>
<u>the shares</u>		<u>shares</u>	
The Company	To be reissued to employees	1,000	\$ 48,208

December 31, 2024: None.

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.
- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.
- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired.
- (e) On May 9, 2025, the Company's Board of Directors resolved to repurchase the Company's ordinary shares and transfer them to employees. As of the expiration of the repurchase period, the Company bought back 1000 thousand treasury shares and the average repurchased price was \$48.21 (in dollars) per share. Currently, the shares have not yet been transferred to employees.

(17) 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 capitalised 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.

The Company adopted the resolution of the Board of Directors on March 7, 2024 to distribute cash of \$42,823 (\$0.5 dollars per share) in proportion to the ownership interest of shareholders using capital surplus, which has been reported at the shareholders' meeting on June 13, 2024.

The Company adopted the resolution of the Board of Directors on March 12, 2025 to distribute cash of \$42,323 (\$0.5 dollars per share) in proportion to the ownership interest of shareholders using capital surplus.

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, except as legal reserve reaches an amount equal to the paid-in capital, then setting aside or reversing special reserve according to the resolution of shareholders during their meeting or the request by competent authorities. Appropriation of the remainder, and unappropriated retained earnings from prior years, shall be proposed by the Board of Directors and resolved at the shareholders' meeting.

In accordance with Article 240, Item 5 and Article 241, Item 2 of the Company Act, the Board of Directors is authorized by the Company to resolve the distribution of dividends, legal reserve and capital surplus, in whole or in part, in the form of cash, by a majority vote at its meeting attended by at least two-thirds of the total number of directors, will be reported to the shareholders, and shall not be subject to the resolution at the shareholders' meeting.

B. Dividend policy: As the Company is in a rapidly changing industry and in the growth stage, and considering the Company's long-term financial plans, shareholders' long-term interest and stabilising performance target, cash dividend distribution shall not be lower than 10% of the total dividend distribution.

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. (a) In accordance with the regulations, the Company shall set aside special reserve based on debit balances of other equity items at the balance sheet date before distributing earnings. When debit balances of other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated July 9, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. The appropriations for 2024 and 2023 had been resolved at the shareholders' meeting on June 12, 2025 and June 13, 2024, respectively, as follows:

	2024		2023	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 7,712		\$ 10,359	
Special reserve	176,532		19,771	
Cash dividends	149,879	\$ 1.75	85,645	\$ 1.00
	<u>\$ 334,123</u>		<u>\$ 115,775</u>	

The cash dividend distribution proposals for the 2024 and 2023 fiscal years have been duly approved by the Board of Directors on March 10, 2025 and March 7, 2024, respectively, and reported to the shareholders' meeting.

- F. The appropriations for 2025 earnings had been proposed by the Board of Directors on March 12, 2026. Details are summarised below:

	2025	
	Amount	Dividends per share (in dollars)
Legal reserve	\$ 4,053	
Special reserve	5,521	
Cash dividends	42,323	\$ 0.50
	<u>\$ 51,897</u>	

As of March 12, 2026, the above mentioned 2025 earnings appropriation has not been resolved by the shareholders except for the cash dividends, which was approved by the Board of Directors.

(19) Other equity items

	Financial statements translation difference of foreign operations	Others	Total
At January 1, 2025	\$ 62,697	(\$ 272,448)	(\$ 209,751)
Currency translation differences	(23,634)	-	(23,634)
Changes in ownership interests in subsidiaries	(14,288)	32,400	18,112
At December 31, 2025	<u>\$ 24,775</u>	<u>(\$ 240,048)</u>	<u>(\$ 215,273)</u>

	Financial statements translation difference of foreign operations	Others	Total
At January 1, 2024	(\$ 33,220)	\$ -	(\$ 33,220)
Currency translation differences	81,629	-	81,629
Changes in ownership interests in subsidiaries	14,288	(272,448)	(258,160)
At December 31, 2024	<u>\$ 62,697</u>	<u>(\$ 272,448)</u>	<u>(\$ 209,751)</u>

(20) Operating revenue

	Years ended December 31,	
	2025	2024
Sales revenue	<u>\$ 2,852,424</u>	<u>\$ 2,925,428</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following major geographical regions:

Year ended December 31, 2025	China	Taiwan	USA	Others	Total
Sales revenue	<u>\$ 1,347,341</u>	<u>\$ 305,757</u>	<u>\$ 735,979</u>	<u>\$ 463,347</u>	<u>\$ 2,852,424</u>
Year ended December 31, 2024	China	Taiwan	USA	Others	Total
Sales revenue	<u>\$ 1,352,656</u>	<u>\$ 269,729</u>	<u>\$ 1,018,446</u>	<u>\$ 284,597</u>	<u>\$ 2,925,428</u>

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2025	December 31, 2024	January 1, 2024
Contract liabilities:			
– Advance sales receipts	<u>\$ 2,811</u>	<u>\$ 3,515</u>	<u>\$ 14,114</u>

(b) Revenue recognised that was included in the contract liabilities balance at the beginning of the period:

	Years ended December 31,	
	2025	2024
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>\$ 2,828</u>	<u>\$ 14,060</u>

(21) Interest income

	Years ended December 31,	
	2025	2024
Interest income from bank deposits	\$ 8,580	\$ 11,454
Interest income from financial assets at amortised cost	9,424	4,851
Other interest income	4	776
	<u>\$ 18,008</u>	<u>\$ 17,081</u>

(22) Other income

	Years ended December 31,	
	2025	2024
Rental income	\$ 46,182	\$ 49,184
Subsidy income	1,097	4,272
Other income, others	49,674	53,980
	<u>\$ 96,953</u>	<u>\$ 107,436</u>

(23) Other gains and losses

	Years ended December 31,	
	2025	2024
Losses on disposals of property, plant and equipment	(\$ 15,658)	(\$ 1,751)
Net currency exchange (losses) gains	(5,244)	12,368
Losses on financial assets at fair value through profit or loss	-	(7,630)
Impairment loss recognised in profit or loss, intangible assets other than goodwill	-	(11,051)
Depreciation - investment property	(2,554)	(2,553)
Other losses	(4,087)	(5,339)
	<u>(\$ 27,543)</u>	<u>(\$ 15,956)</u>

(24) Finance costs

	Years ended December 31,	
	2025	2024
Interest expense	<u>\$ 25,742</u>	<u>\$ 29,078</u>

(25) Expenses by nature

	Years ended December 31,	
	2025	2024
Employee benefit expenses	\$ 913,434	\$ 996,000
Depreciation on property, plant and equipment (Note)	190,728	198,946
Amortisation on intangible assets	26,195	32,651

Note: Including investment property and right-of-use assets.

(26) Employee benefit expenses

	Years ended December 31,	
	2025	2024
Wages and salaries	\$ 721,363	\$ 790,811
Labor and health insurance fees	47,991	50,944
Pension costs	37,350	39,393
Other personnel expenses	106,730	114,852
	<u>\$ 913,434</u>	<u>\$ 996,000</u>

A. In accordance with Articles of Incorporation of the Company, employees' compensation and directors' remuneration shall be calculated based on a ratio of distributable profit of the current year, after covering accumulated losses. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 1.5% for directors' remuneration.

B. For the years ended December 31, 2025 and 2024, employees' compensation were accrued at \$40,900 and \$42,900, respectively; while directors' remuneration were accrued at \$2,600 and \$4,600, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2025, the employees' compensation and directors' remuneration were estimated and accrued based on the distributable profit of current year as of the end of reporting period, and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' remuneration for 2024 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2024 financial statements.

Information about the employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System."

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2025	2024
Current tax:		
Current tax on profits for the period	\$ 84,456	\$ 70,999
Tax on undistributed earnings	(15,765)	290
Total current tax	<u>68,691</u>	<u>71,289</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>5,174</u>	<u>754</u>
Total deferred tax	<u>5,174</u>	<u>754</u>
Income tax expense	<u>\$ 73,865</u>	<u>\$ 72,043</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2025	2024
Remeasurement of defined benefit obligations	(\$ 175)	\$ 2,240

(c) The income tax charged/(credited) to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2025	2024
Tax calculated based on profit before tax and statutory tax rate (note)	(\$ 42,670)	\$ 8,755
Temporary differences not recognised as deferred tax assets	138,791	58,424
Taxable loss not recognised as deferred tax assets	(7,939)	4,574
Change in assessment of realisation of deferred tax assets	1,448	-
Prior year income tax overestimation	(15,765)	-
Tax on undistributed earnings	-	290
Income tax expense	<u>\$ 73,865</u>	<u>\$ 72,043</u>

Note: Rates applicable to respective countries of operations.

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2025			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Inventory - allowance for the valuation loss	\$ 18,418	(\$ 240)	\$ -	\$ 18,178
Others	(1,343)	2,236	-	893
	<u>17,075</u>	<u>1,996</u>	<u>-</u>	<u>19,071</u>
Deferred tax liabilities:				
Temporary differences:				
Exchange gains or losses	-	(702)	-	(702)
Gain on investments accounted for using equity method	-	(6,468)	-	(6,468)
	<u>-</u>	<u>(7,170)</u>	<u>-</u>	<u>(7,170)</u>
	<u>\$ 17,075</u>	<u>(\$ 5,174)</u>	<u>\$ -</u>	<u>\$ 11,901</u>

	2024			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Inventory - allowance for the valuation loss	\$ 20,234	(\$ 1,816)	\$ -	\$ 18,418
Others	(165)	1,062	(2,240)	(1,343)
	<u>\$ 20,069</u>	<u>(\$ 754)</u>	<u>(\$ 2,240)</u>	<u>\$ 17,075</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2025					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2021	\$ 53,154	\$ 27,661	\$ 27,661	2031	
2022	8,137	8,137	8,137	2032	
2023	24,699	24,699	24,699	2033	
2024	24,086	24,806	24,806	2034	

December 31, 2024					
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2020	\$ 12,205	\$ 12,205	\$ 12,205	2030	
2021	53,154	53,154	53,154	2031	
2022	8,137	8,137	8,137	2032	
2023	24,699	24,699	24,699	2033	
2024	24,806	24,806	24,806	2034	

E. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Deductible temporary differences	<u>\$ 2,167,679</u>	<u>\$ 1,477,595</u>

F. The Company's income tax returns through 2023 have been assessed and approved by the Tax Authority.

(29) Transactions with non-controlling interest

In August 2025 and September 2024, the Company acquired the ordinary shares owned by the non-controlling interest shareholders of the subsidiary, TCLAD Technology Corporation. The effect of changes in the equity attributable to owners of the parent is shown below:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Consideration paid to non-controlling interest	(\$ 32,400)	(\$ 199,800)
Decrease in the carrying amount of non-controlling interest	<u>4,259</u>	<u>69,219</u>
Difference between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount	<u>(\$ 28,141)</u>	<u>(\$ 130,581)</u>

On December 31, 2025, the Group's subsidiary, TCLAD Technology Corporation, acquired an additional 15% shares of TCLAD Europe GmbH for total cash consideration of \$1,042. The carrying amount of non-controlling interest in TCLAD Europe GmbH was \$1,252 at the acquisition date. The transaction resulted in a decrease in the non-controlling interest by \$1,052 and a decrease in the non-controlling interest by \$872 and a decrease in equity attributable to owners of the parent by \$1,941. The effect of changes in interests in TCLAD Europe GmbH on the equity attributable to owners of the parent for the year ended December 31, 2025 is shown below:

	<u>Year ended December 31, 2025</u>
Consideration paid to non-controlling interest	(\$ 1,042)
Decrease in the carrying amount of non-controlling interest	(872)
Exchange gains or losses	<u>(27)</u>
Difference between proceeds on actual acquisition of equity interest in a subsidiary and its carrying amount	<u>(\$ 1,941)</u>

(30) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Acquisition of property, plant and equipment	\$ 107,621	\$ 138,334
Net change of payable on machinery and equipment	(276)	(5,143)
Net change of prepayments on machinery and equipment	<u>13,780</u>	<u>1,858</u>
Cash paid during the period	<u>\$ 121,125</u>	<u>\$ 135,049</u>

(31) Changes in liabilities from financing activities

	2025				
	Short-term borrowings	Lease liabilities	Long-term borrowings (including current portion)	Deposits-in	Total liabilities from financing activities
At January 1	\$ 417,978	\$ 199,595	\$ 447,896	\$ 11,043	\$ 1,076,512
Changes in cash flow from financing activities	108,075	(11,435)	(242,896)	-	(146,256)
Interest expense	-	3,143	-	-	3,143
Interest paid	-	(3,143)	-	-	(3,143)
Changes in other non-cash items	24,327	(9,557)	-	-	14,770
At December 31	<u>\$ 550,380</u>	<u>\$ 178,603</u>	<u>\$ 205,000</u>	<u>\$ 11,043</u>	<u>\$ 945,026</u>

	2024					
	Short-term borrowings	Lease liabilities	Bonds payable	Long-term borrowings (including current portion)	Deposits-in	Total liabilities from financing activities
At January 1	\$ 484,514	\$ 194,525	\$ 264,700	\$ -	\$ 11,043	\$ 954,782
Changes in cash flow from financing activities	(67,425)	(11,559)	(264,700)	447,896	-	104,212
Interest expense	-	3,303	-	-	-	3,303
Interest paid	-	(3,303)	-	-	-	(3,303)
Changes in other non-cash items	889	16,629	-	-	-	17,518
At December 31	<u>\$ 417,978</u>	<u>\$ 199,595</u>	<u>\$ -</u>	<u>\$ 447,896</u>	<u>\$ 11,043</u>	<u>\$ 1,076,512</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Littelfuse, Inc. and its subsidiaries	The director of the Company
Fiduciary trust property accounts held in trust by Jia-Yun Investment Corporation	Other related party

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2025	2024
Sales of goods:		
Littelfuse, Inc. and its subsidiaries	<u>\$ 389,132</u>	<u>\$ 309,732</u>

There are no significant differences in sales prices and collection terms between related parties and third parties.

B. Receivables from related parties:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Accounts receivable		
Littelfuse, Inc. and its subsidiaries	\$ 91,818	\$ 112,004

The receivables from related parties arise mainly from sale transactions. The receivables are due 90 days after the date of sale. The receivables are unsecured in nature and bear no interest.

C. Acquisition of financial assets

For the year ended December 31, 2025: None.

	<u>Accounts</u>	<u>No. of shares (Note)</u>	<u>Year ended December 31, 2024 Consideration (Note)</u>
Other related party	Investments accounted for using equity method	5,500 thousand ordinary shares	\$ 199,800

Note: In September 2024, the Company acquired 5,550 thousand ordinary shares of TCLAD Technology Corporation amounting to \$199,800 from the fiduciary trust property accounts held in trust by Jia-Yun Investment Corporation.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 52,347	\$ 55,746
Post-employment benefits	1,800	1,680
	<u>\$ 54,147</u>	<u>\$ 57,426</u>

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2025</u>	<u>December 31, 2024</u>	
Time deposit (shown as "Current financial assets at amortised cost")	\$ 4,559	\$ 4,502	Guarantee for customs and bond, performance guarantee, company card guarantee and guarantee for short-term borrowing
Time deposit (shown as "Non-current financial assets at amortised cost")	8,331	8,331	Guarantee for land lease in science park
Buildings and investment property	174,374	178,875	Guarantee for short-term borrowing credit line
Accounts receivable	27,462	-	Discounted accounts receivable

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Capital expenditures contracted for at the balance sheet date but not yet incurred are as follows:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Property, plant and equipment	\$ 40,467	\$ 9,242

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 6 (18) for the appropriation for 2025 earnings as proposed by Board of Directors on March 12, 2026.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital, issue new shares or dispose assets to reduce its liabilities.

(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 amortised cost		
Cash and cash equivalents	\$ 710,252	\$ 690,756
Financial assets at amortised cost	460,161	662,248
Notes receivable	116,592	87,413
Accounts receivable (including related parties)	629,531	661,678
Other receivables	15,398	21,830
Refundable deposits	13,532	12,597
	<u>\$ 1,945,466</u>	<u>\$ 2,136,522</u>

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
<u>Financial liabilities</u>		
Short-term borrowings	\$ 550,380	\$ 417,978
Notes payable	5,427	4,162
Accounts payable	206,248	233,748
Other payables	319,418	288,886
Long-term borrowings (including current portion)	205,000	447,896
Other current liabilities	244,076	277,652
Deposits-in	11,043	11,043
	<u>\$ 1,541,592</u>	<u>\$ 1,681,365</u>
Lease liabilities	<u>\$ 178,603</u>	<u>\$ 199,595</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk, and interest rate swaps are used to fix variable future cash flows. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries using various functional currencies, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policies to require group companies to manage their foreign exchange risk against their functional currencies. The companies are required to hedge their entire foreign exchange risk exposure through coordination with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Foreign exchange forward contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.

iii. The Group's businesses involve some non-functional currency operations (the Company's functional currency: NTD; other certain subsidiaries' functional currency: USD and 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 currency				
amount		Exchange	Book value	
(in thousands)		rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	14,711	31.430	\$ 462,368
USD:RMB	USD	569	6.991	17,884
RMB:NTD	RMB	19,225	4.496	86,434
JPY:NTD	JPY	13,481	0.2008	2,707
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	5,368	31.430	\$ 168,717
RMB:NTD	RMB	4,939	4.496	22,208
USD:RMB	USD	65	6.991	2,055
JPY:NTD	JPY	13,951	0.2008	2,801
<u>Non-monetary items:</u> None.				

December 31, 2024				
Foreign currency				
amount		Exchange	Book value	
(in thousands)		rate	(NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	10,272	32.785	\$ 336,768
USD:RMB	USD	690	7.2988	22,622
RMB:NTD	RMB	16,866	4.478	75,526
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	2,321	32.785	\$ 76,094
RMB:NTD	RMB	2,825	4.478	12,650
USD:RMB	USD	189	7.2988	6,196
JPY:NTD	JPY	20,919	0.2099	4,391
<u>Non-monetary items:</u> None.				

iv. The total exchange (losses) gain, including realised and unrealised arising from significant foreign exchange variations on the monetary items held by the Group for the years ended

December 31, 2025 and 2024, amounted to (\$5,244) and \$12,368, respectively.

- v. Analysis of foreign currency market risk arising from significant foreign exchange variations:

Year ended December 31, 2025				
Sensitivity analysis				
	<u>Degree of variation</u>	<u>Effect on profit (loss)</u>	<u>Effect on other comprehensive income</u>	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 4,624	\$	-
USD:RMB	1%	179		-
RMB:NTD	1%	864		-
JPY:NTD	1%	27		-
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 1,687)	\$	-
RMB:NTD	1%	(222)		-
USD:RMB	1%	(21)		-
JPY:NTD	1%	(28)		-
<u>Non-monetary items:</u> None.				

Year ended December 31, 2024				
Sensitivity analysis				
	<u>Degree of variation</u>	<u>Effect on profit (loss)</u>	<u>Effect on other comprehensive income</u>	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 3,368	\$	-
USD:RMB	1%	226		-
RMB:NTD	1%	755		-
<u>Non-monetary items:</u> None.				
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$ 761)	\$	-
RMB:NTD	1%	(127)		-
USD:RMB	1%	(62)		-
JPY:NTD	1%	(44)		-
<u>Non-monetary items:</u> None.				

Price risk

The Group had no equity instruments which were exposed to price risk as of December 31, 2025 and 2024.

Cash flow and fair value Interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings 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 mainly denominated in New Taiwan dollars.
- ii. The Group's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.
- iii. If the borrowing interest rate had increased or decreased by 1%, with all other variables held constant, profit, net of tax, for the years ended December 31, 2025 and 2024 would have decreased or increased by \$1,640 and \$3,583, respectively. The main factor is that changes in interest expense result 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 debt instruments stated at amortised cost.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing 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 credit limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vi. The Group used the forecast ability to adjust historical and timely information to assess the default possibility of accounts receivable, contract assets and lease payments

receivable. On December 31, 2025 and 2024, the provision matrix is as follows:

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At December 31, 2025</u>						
Expected loss rate	0.00%	0.32%~2.02%	2.43%~25.33%	22.47%~53.96%	86.07%~100%	
Total book value	\$ 547,892	\$ 52,698	\$ 25,050	\$ 3,876	\$ 3,618	\$ 633,134
Loss allowance	\$ -	\$ -	\$ 9	\$ 622	\$ 2,972	\$ 3,603

	Not past due	Up to 30 days past due	31~90 days past due	91~180 days past due	Over 180 days	Total
<u>At December 31, 2024</u>						
Expected loss rate	0.01%	0.33%~2.05%	2.51%~27.02%	23.50%~51.99%	75.1%~100%	
Total book value	\$ 531,391	\$ 104,119	\$ 21,529	\$ 685	\$ 8,947	\$ 666,671
Loss allowance	\$ -	\$ -	\$ 189	\$ 182	\$ 4,622	\$ 4,993

viii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable and notes receivable is as follows:

	2025	
	Accounts receivable	Notes receivable
At January 1	\$ 4,993	\$ -
Reversal of impairment loss	(1,084)	-
Effect of foreign exchange	(306)	-
At December 31	\$ 3,603	\$ -
	2024	
	Accounts receivable	Notes receivable
At January 1	\$ 21,430	\$ -
Reversal of impairment loss	(16,844)	-
Effect of foreign exchange	407	-
At December 31	\$ 4,993	\$ -

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, for example, currency restrictions.

ii. The Group has the following undrawn borrowing facilities:

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Floating rate:		
Expiring within one year	<u>\$ 1,896,486</u>	<u>\$ 2,161,456</u>

The facilities expiring within one year are annual facilities subject to review and renegotiation at various dates during 2025.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date 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.

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over
December 31, 2025	<u>months</u>	<u>months</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>5 years</u>
Short-term borrowings	\$366,654	\$ 187,373	\$ -	\$ -	\$ -
Notes payable	5,427	-	-	-	-
Accounts payable	206,248	-	-	-	-
Lease liabilities	3,728	11,932	13,496	24,789	166,472
Other payables	-	319,418	-	-	-
Other current liabilities	-	244,076	-	-	-
Long-term borrowings	15,859	56,801	138,528	-	-
Deposits-in	-	-	11,043	-	-

Non-derivative financial liabilities:

	Less than 3	Between 3	Between 1	Between 2	Over
December 31, 2024	<u>months</u>	<u>months</u>	<u>and 2 years</u>	<u>and 5 years</u>	<u>5 years</u>
Short-term borrowings	\$249,821	\$ 168,459	\$ -	\$ -	\$ -
Notes payable	4,162	-	-	-	-
Accounts payable	211,919	21,829	-	-	-
Lease liabilities	3,585	10,602	13,975	29,983	190,944
Other payables	-	288,886	-	-	-
Other current liabilities	-	277,652	-	-	-
Long-term borrowings	5,243	45,545	89,052	312,065	-
Deposits-in	-	-	11,043	-	-

(3) Fair value information

The Group had no financial instruments measured at fair value as of December 31, 2025 and 2024.

Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.

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

F. Significant inter-company transactions during the reporting period: Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in mainland China): Please refer to table 5.

(3) Information on investments in mainland China

A. Basic information: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the mainland China: Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

The Group mainly operates in a single industry. The Chief Operating Decision-Maker reviews the Group's reporting to assess performance and allocate resources. The Group mainly has only one reportable segment.

(2) Segment information

The Group's Chief Operating Decision-Maker evaluates the performance of the operating segment based on the consolidated financial statements. The accounting policies of the operating segment are in line with the significant accounting policies summarised in Note 4.

(3) Information about segment profit or loss, assets and liabilities

	Years ended December 31,	
	2025	2024
Revenue from external customers	\$ 2,852,424	\$ 2,925,428
Inter-segment revenue	\$ -	\$ -
Segment income	\$ 67,702	\$ 195,347
Segment assets	\$ 4,009,045	\$ 4,394,328

(4) Reconciliation for segment income (loss), assets and liabilities

None.

(5) Information on products and services

Details of revenue is as follows:

	Years ended December 31,	
	2025	2024
Circuit Protection Component	\$ 1,838,434	\$ 1,720,285
Others	1,013,990	1,205,143
	<u>\$ 2,852,424</u>	<u>\$ 2,925,428</u>

(6) Geographical information

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

	Years ended December 31,			
	2025		2024	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	\$ 305,757	\$ 728,406	\$ 269,729	\$ 758,481
China (including Hong Kong)	1,347,341	355,699	1,352,656	349,636
America	735,979	328,388	1,018,446	442,070
Others	463,347	906	284,597	-
	<u>\$ 2,852,424</u>	<u>\$ 1,413,399</u>	<u>\$ 2,925,428</u>	<u>\$ 1,550,187</u>

(7) Major customer information

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

	Years ended December 31,			
	2025		2024	
	Revenue	Segment Company and subsidiaries	Revenue	Segment Company and subsidiaries
Littelfuse, Inc. and its subsidiaries	<u>\$ 389,132</u>		<u>\$ 309,732</u>	

Polytronics Technology Corp.
Loans to others
For the year ended December 31, 2025

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2025	Balance at December 31, 2025	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note)	Ceiling on total loans granted (Note)
													Item	Value		
0	Polytronics Technology Corp.	TCLAD Technology Corporation	Other receivables - related party	Y	150,000	150,000	50,000	2.01%	Short-term financing	-	Operational need	-	-	-	\$ 873,666	\$ 873,666
1	TCLAD Technology Corporation	TCLAD Inc.	Other receivables - related party	Y	33,205	31,430	-	-	Short-term financing	-	Operational need	-	-	-	28,429	28,429
1	TCLAD Technology Corporation	TCLAD Europe GmbH	Other receivables - related party	Y	33,205	6,286	-	-	Short-term financing	-	Operational need	-	-	-	28,429	28,429

Note : Follow the group policy "Procedure for Provision of Loans".

Polytronics Technology Corp.
Provision of endorsements and guarantees to others
For the year ended December 31, 2025

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed		Maximum outstanding endorsement/ guarantee amount as of December 31, 2025	Outstanding endorsement/ guarantee amount at December 31, 2025	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note)	Provision of endorsements/ guarantees by parent company to subsidiary (Note)	Provision of endorsements /guarantees by subsidiary to parent company (Note)	Provision of endorsements/ guarantees to the party in Mainland China (Note)
			Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party									
0	Polytronics Technology Corp.	Kushan Polystar Electronics Co., Ltd.	100% owned subsidiary	\$ 2,184,165	\$ 82,050	\$ 47,145	\$ -	\$ -	2.09%	\$ 3,276,248	Y	N	Y
0	Polytronics Technology Corp.	TCLAD Technology Corporation	A subsidiary which had 83.21% equity interests directly owned by the Company	2,184,165	1,035,000	935,000	455,000	-	47.39%	3,276,248	Y	N	N
0	Polytronics Technology Corp.	TCLAD Inc.	A subsidiary which had 83.21% equity interests indirectly owned by the Company	2,184,165	249,038	235,725	141,435	-	10.45%	3,276,248	Y	N	N

Note : Follow the company policy “Procedure for Provision of Endorsements and Guarantees to Others”.

Polytronics Technology Corp.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

For the year ended December 31, 2025

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
Polytronics Technology Corp.	Liffelfuse, Inc.	Director of the Company	Sales	(\$ 389,132)	13.64%	Net 90 days	Note	Note	\$ 91,818	13.05%	
Polytronics Technology Corp.	Kushan Polystar Electronics Co., Ltd.	Subsidiary	Sales	(330,151)	11.57%	Net 60 days	Note	Note	31,142	4.43%	
TCLAD Technology Corporation	TCLAD Inc.	Subsidiary	Purchases	197,333	14.87%	Net 30 days	Note	Note	(4,101)	1.88%	
Suzhou TCLAD Electronic Technology Co., Ltd	Kushan Polystar Electronics Co., Ltd.	Subsidiary	Purchases	196,332	14.79%	Net 60 days	Note	Note	(106,181)	48.65%	

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Note : With the general payment term.

Polytronics Technology Corp.
Significant inter-company transactions during the reporting period
For the year ended December 31, 2025

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Polytronics Technology Corp.	Kuahan Polystar Electronics Co., Ltd.	1	Sales	\$ 330,151	Net 60 days	12%
0	"	"	1	Purchases	49,711	Net 45 days	2%
0	"	"	1	Purchases	60,222	Net 45 days	2%
0	"	"	1	Accounts receivable	31,142	Net 60 days	1%
0	"	"	1	Accounts payable	63,818	Net 45 days	2%
0	"	TCLAD Technology Corporation	1	Sales	38,376	Net 30 days	1%
0	"	"	1	Accounts receivable	11,575	Net 30 days	0%
0	"	"	1	Other receivables	51,218	Collection and payment based on an agreed time	1%
0	"	"	1	Accounts payable	44,212	Net 60 days	1%
0	"	"	1	Interest income	2,758	Collection and payment based on an agreed time	0%
0	"	"	1	Rent income	6,257	Collection and payment based on an agreed time	0%
0	"	"	1	Purchases	2,361	Net 60 days	5%
0	"	"	1	Other income	2,390	Collection and payment based on an agreed time	0%
1	TCLAD Technology Corporation	TCLAD Inc.	3	Purchases	197,333	Net 30 days	7%
1	"	"	3	Accounts payable	4,101	Collection and payment based on an agreed time	0%
1	"	"	3	Sales	21,959	Net 90 days	1%
1	"	"	3	Accounts receivable	11,710	Collection and payment based on an agreed time	0%
1	"	TCLAD Eurpe GmbH	3	Sales	32,767	Net 90 days	1%
1	"	"	3	Accounts receivable	6,027	Collection and payment based on an agreed time	0%
1	"	"	3	Prepayments for investments	34,405	Collection and payment based on an agreed time	1%
1	"	Suzhou TCLAD Electronic Technology Co., Ltd	3	Purchases	3,351	Net 60 days	0%
1	"	"	3	Sales	2,777	Net 60 days	0%
1	"	Kuahan Polystar Electronics Co., Ltd.	3	Sales	86,977	Net 60 days	2%
1	"	"	3	Accounts receivable	18,420	Collection and payment based on an agreed time	0%
1	"	"	3	Purchases	73,123	Net 60 days	3%
1	"	"	3	Accounts payable	12,963	Collection and payment based on an agreed time	0%
2	TCLAD Inc.	TCLAD Eurpe GmbH	3	Sales	8,227	Net 90 days	0%
2	"	"	3	Accounts receivable	1,476	Collection and payment based on an agreed time	0%
2	Suzhou TCLAD Electronic Technology Co.,	Kuahan Polystar Electronics Co., Ltd.	3	Accounts payable	106,181	Collection and payment based on an agreed time	3%
2	"	"	3	Purchases	196,332	Net 60 days	7%

Note 1: 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'.

Note 2: Relationship between transaction company and counterparty is classified into the following six 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.

Note 3: Only transactions above NT\$1 million are disclosed. Transactions of related parties are not further disclosed here.

Note 4: 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.

Polytronics Technology Corp.
Information on investees
For the year ended December 31, 2025

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2025			Net profit (loss) of the investee for the year ended December 31, 2025	Investment income (loss) recognised by the Company for the year ended December 31, 2025		Footnote
				Balance as at December 31, 2025	Balance as at December 31, 2024	Number of shares	Ownership (%)	Book value				
Polytronics Technology Corp.	Polytronics (B.V.I) Corporation	British Virgin Islands	Investment and general business operations	\$ 255,004	\$ 255,004	2,644	100	\$ 1,177,731	\$ 32,886	\$ 32,886	Subsidiary	
Polytronics Technology Corp.	TCLAD Technology Corporation	Taiwan	Manufacturing of the thermal conductive board	759,690	759,690	33,039	83.21	59,137 (	342,805) (	280,375)	Subsidiary
TCLAD Technology Corporation	TCLAD Inc.	America	Manufacturing of the thermal conductive board	1,666,436	1,572,666	-	100	397,039 (	366,552) (	371,406)	Subsidiary
TCLAD Technology Corporation	TCLAD Eurpoe GmbH	Germany	Manufacturing of the thermal conductive board	4,480	5,732	200	100 (	10,039) (	5,596) (	5,596)	Subsidiary

