

**COMPAL BROADBAND NETWORKS, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2025 and 2024**

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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of Compal Broadband Networks, Inc.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Compal Broadband Networks, Inc. and its subsidiaries as of June 30, 2025 and 2024, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2025 and 2024, as well as the changes in equity and cash flows for the six months ended June 30, 2025 and 2024, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Compal Broadband Networks, Inc. and its subsidiaries as of June 30, 2025 and 2024, and of its consolidated financial performance for the three months and six months ended June 30, 2025 and 2024, as well as its consolidated cash flows for the six months ended June 30, 2025 and 2024 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Keng-Chia Huang and Yiu-Kwan-Au.

KPMG

Taipei, Taiwan (Republic of China)

August 07, 2025

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those Standards on Auditing and applied in the Republic of China.

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**Consolidated Statements of Comprehensive Income****For the three months and six months ended June 30, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)**

		For the three months ended June 30				For the nine months ended June 30			
		2025		2024		2025		2024	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (note (6)(q))	\$ 144,607	100	203,955	100	314,351	100	429,414	100
5000	Operating costs (notes (6)(e), (7) and (12))	95,916	66	170,022	83	205,521	65	353,034	82
	Gross profit from operations	48,691	34	33,933	17	108,830	35	76,380	18
	Operating expenses: (notes (6)(i), (6)(k), (6)(l), (7) and (12))								
6100	Selling expenses	24,311	17	13,763	7	46,621	15	35,036	8
6200	Administrative expenses	13,980	10	9,607	5	26,414	8	25,238	6
6300	Research and development expenses	48,364	33	35,509	17	100,415	32	87,350	20
6450	Expected credit impairment (reversal gain) loss (notes (6)(c) and (6)(d))	(391)	-	345	-	(1,956)	-	(663)	-
	Total operating expenses	86,264	60	59,224	29	171,494	55	146,961	34
	Net operating loss	(37,573)	(26)	(25,291)	(12)	(62,664)	(20)	(70,581)	(16)
	Non-operating income and expenses:								
7010	Other income (notes (7))	442	-	1,072	-	888	-	2,241	-
7020	Other gains and losses (note (6)(s))	6,147	4	793	-	5,897	2	2,849	-
7100	Interest income	1,880	1	1,510	1	4,175	1	3,486	1
7510	Interest expense (note (6)(k))	(90)	-	(141)	-	(182)	-	(294)	-
7060	Share of loss of associates accounted for using equity method (note (6)(f))	(403)	-	(747)	-	(1,000)	-	(1,347)	-
		7,976	5	2,487	1	9,778	3	6,935	1
7900	Loss from continuing operations before tax	(29,597)	(21)	(22,804)	(11)	(52,886)	(17)	(63,646)	(15)
7950	Less: Income tax expense (note (6)(m))	-	-	-	-	-	-	-	-
	Net Loss	(29,597)	(21)	(22,804)	(11)	(52,886)	(17)	(63,646)	(15)
8300	Other comprehensive income (loss):								
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361	Exchange differences on translation of foreign financial statements	(523)	-	83	-	70	-	190	-
8399	Less: income tax (benefit) related to items that may be reclassified subsequently to profit or loss (note (6)(m))	(105)	-	16	-	14	-	38	-
	Components of other comprehensive income that may be reclassified subsequently to profit or loss	(418)	-	67	-	56	-	152	-
8300	Other comprehensive income (loss)	(418)	-	67	-	56	-	152	-
	Total comprehensive loss	<u>\$ (30,015)</u>	<u>(21)</u>	<u>22,737</u>	<u>(11)</u>	<u>(52,830)</u>	<u>(17)</u>	<u>(63,494)</u>	<u>(15)</u>
	Loss per share (note (6)(p))								
9750	Basic loss per share	<u>\$ (0.44)</u>		<u>(0.34)</u>		<u>(0.79)</u>		<u>(0.95)</u>	
9850	Diluted loss per share	<u>\$ (0.44)</u>		<u>(0.34)</u>		<u>(0.79)</u>		<u>(0.95)</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**Consolidated Statements of Changes in Equity****For the six months ended June 30, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	Retained earnings					Other equity		Total	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Accumulated losses	Total	Exchange differences on translation of foreign financial statements	Unearned employee benefit	
Balance at January 1, 2024	\$ 676,381	372,404	147,010	588	(42,516)	105,082	(198)	(3,010)	(3,208) 1,150,659
Loss for the six months ended June 30, 2024	-	-	-	-	(63,646)	(63,646)	-	-	- (63,646)
Other comprehensive income for the six months ended June 30, 2024	-	-	-	-	-	-	152	-	152 152
Total comprehensive income (loss) for the six months ended June 30, 2024	-	-	-	-	(63,646)	(63,646)	152	-	152 (63,494)
Legal reserve used to offset accumulated deficits	-	-	(42,516)	-	42,516	-	-	-	- -
Changes in equity of associates accounted for using equity method	-	306	-	-	-	-	-	-	- 306
Share-based payment transactions	(3,024)	(6,260)	-	-	-	-	-	3,010	3,010 (6,274)
Balance at June 30, 2024	\$ 673,357	366,450	104,494	588	(63,646)	41,436	(46)	-	(46) 1,081,197
Balance at January 1, 2025	\$ 673,357	366,459	104,494	588	(165,938)	(60,856)	(196)	-	(196) 978,764
Loss for the six months ended June 30, 2025	-	-	-	-	(52,886)	(52,886)	-	-	- (52,886)
Other comprehensive income for the six months ended June 30, 2025	-	-	-	-	-	-	56	-	56 56
Total comprehensive income (loss) for the six months ended June 30, 2025	-	-	-	-	(52,886)	(52,886)	56	-	56 (52,830)
Legal reserve and special reserve used to offset accumulated deficits	-	-	(104,494)	(588)	105,082	-	-	-	- -
Capital surplus used to offset accumulated deficits	-	(60,856)	-	-	60,856	60,856	-	-	- -
Share-based payment transactions	15,000	14,400	-	-	-	-	-	(27,808)	(27,808) 1,592
Balance at June 30, 2025	\$ 688,357	320,003	-	-	(52,886)	(52,886)	140	(27,808)	(27,948) 927,526

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the six months ended June 30, 2025 and 2024****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended	
	June 30	
	2025	2024
Cash flows from (used in) operating activities:		
Loss before tax	\$ (52,886)	(63,646)
Adjustments:		
Adjustments to reconcile loss:		
Depreciation and amortization expense	29,345	30,985
Expected credit impairment reversal gains	(1,956)	(663)
Interest expense	182	294
Interest income	(4,175)	(3,486)
Compensation cost of employee share-based payment	1,592	(6,274)
Share of loss of associates accounted for using equity method	1,000	1,347
Gain on lease modification	(362)	(91)
Total adjustments to reconcile loss	25,626	22,112
Changes in operating assets and liabilities:		
(Increase) decrease in financial assets at fair value through profit or loss	(1,521)	4,373
Decrease in accounts receivable	78,902	150,567
Decrease (increase) in other receivables	18,710	(37,835)
Decrease in inventories	77,172	7,064
Decrease (increase) in prepayments	20,918	(4,575)
Increase in other current assets	(112)	(1)
Increase in financial liabilities held for trading	-	187
Increase in contract liabilities	17,197	-
(Decrease) increase in accounts payable	(193,640)	290,571
Decrease in other payables	(3,087)	(114,261)
(Decrease) increase in provisions	(4,103)	854
Decrease in other current liabilities	(405)	(2,422)
Total changes in operating assets and liabilities	10,031	294,522
Total adjustments	35,657	316,634
Cash (outflow) inflow generated from operations	(17,229)	252,988
Interest received	4,267	3,251
Interest paid	(182)	(294)
Income taxes refund	630	3,520
Net cash flows (used in) from operating activities	(12,514)	259,465
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(6,300)
Acquisition of property, plant and equipment	(17,897)	(2,972)
Decrease in refundable deposits	1,951	28
Acquisition of intangible assets	(184)	(1,204)
Net cash flows used in investing activities	(16,130)	(10,448)
Cash flows from (used in) financing activities:		
Payment of lease liabilities	(3,696)	(7,316)
Net cash flows used in financing activities	(3,696)	(7,316)
Effect of exchange rate changes on cash and cash equivalents	70	190
Net (decrease) increase in cash and cash equivalents	(32,270)	241,891
Cash and cash equivalents at beginning of period	520,103	316,940
Cash and cash equivalents at end of period	\$ 487,833	558,831

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Compal Broadband Networks, Inc. (“the Company”) was established on August 19, 2009, and jointly invested by Compal Electronics, Inc. (Compal Electronics) and Zhi-Bao Technology Inc. (Zhi-Bao Technology) with the shareholding ratio was 52% and 48% respectively. The parent company of the Company is Compal Electronics. As of June 30, 2025 and 2024, Compal Electronics and its subsidiaries held 63% shares in the Company.

The address of the Company’s registered office is 13F.-1, No. 1, Taiyuan 1st St., Zhubei City, Hsinchu County. The Company and its subsidiaries (“the Group”) primarily engaged in the research, development, and sale of communication products such as smart gateways, digital set-top boxes, and wireless broadband routers.

The Company’s common shares have been publicly listed on the Taiwan Stock Exchange since November 28, 2018.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the Board of Directors on August 7, 2025.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (FSC) which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2025:

- Amendments to IAS 21 “Lack of Exchangeability ”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Section 4.1 of IFRS 9 and the related disclosure requirements of IFRS 7.

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2026, would not have a significant impact on its consolidated financial statements:

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments”
- Annual Improvements to IFRS Accounting Standards—Volume 11
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities. • A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company's main business activities. • Management performance measures (MPMs): the new standard introduces a definition for management performance measures and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. • Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.	January 1, 2027

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and the guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by the FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to as the IFRS endorsed by the FSC) for a complete set of the annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statements for the year ended December 31, 2024. For the related information, please refer to note (4) of the consolidated financial statements for the year ended December 31, 2024.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			June 30, 2025	December 31, 2024	June 30, 2024
The Company	Compal Broadband Networks Belgium BVBA (“CBNB”)	Import, export, technical support, and consulting services for broadband network products and related components	100%	100%	100%
"	Compal Broadband Networks Netherlands B.V. (“CBNN”)	"	100%	100%	100%

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and endorsed by the FSC) requires management to make judgments, estimates and assumptions, including climate-related risks and opportunities, that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2024. For related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2024.

(6) Explanation of significant accounts:

Except for the following disclosures, there were no significant differences in the disclosures of significant accounts between the interim consolidated financial statements for the current period and the 2024 consolidated financial statements. Please refer to Note (6) of the 2024 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2025	December 31, 2024	June 30, 2024
Cash on hand	\$ 231	320	486
Checking accounts and demand deposits	67,602	68,972	143,445
Time deposits	420,000	450,811	414,900
	<u>\$ 487,833</u>	<u>520,103</u>	<u>558,831</u>

Please refer to note (6)(t) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (b) Financial assets and liabilities at fair value through profit or loss

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Current financial assets mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging:			
Foreign exchange forward contracts	\$ <u>1,521</u>	-	-
Held-for-trading financial liabilities:			
Derivative instruments not used for hedging:			
Swap contracts	\$ -	-	<u>187</u>

Please refer to note (6)(t) for the liquidity risk of the financial instruments of the Group.

The Group holds derivative financial instruments to hedge the certain foreign exchange risk the Group is exposed to, arising from its operating activities. The following derivative instruments, without the application of hedge accounting, were classified as financial assets mandatorily measured at fair value through profit or loss and held-for-trading financial liabilities:

	<u>June 30, 2025</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial assets:			
Foreign exchange contracts:			
Foreign exchange sold	USD 509	USD to TWD	July 31,2025
	<u>June 30, 2024</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial liabilities:			
Swap contracts:			
Currency Swap	USD 950	USD to TWD	July 11,2024

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Accounts receivable

	June 30, 2025	December 31, 2024	June 30, 2024
Accounts receivables	\$ 119,326	222,414	277,241
Less: loss allowance	(149)	(26,229)	(26,175)
	<u>\$ 119,177</u>	<u>196,185</u>	<u>251,066</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The expected credit losses were determined as follows:

	June 30, 2025			
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 117,341	0.10%	117	No
Level C	1,692	1.00%	17	No
Level D	293	5.12%	15	No
	<u>\$ 119,326</u>		<u>149</u>	

	December 31, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 191,483	0.10%	193	No
Level C	4,378	0.98%	43	No
Level D	590	5.08%	30	No
Level E	25,963	100%	25,963	Yes
	<u>\$ 222,414</u>		<u>26,229</u>	

	June 30, 2024			
	Gross carrying amount	Weighted- average loss rate	Loss allowance	Credit impaired
Level B	\$ 178,713	0.10%	179	No
Level C	56,050	1.00%	561	No
Level E	42,478	59.88%	25,435	Yes
	<u>\$ 277,241</u>		<u>26,175</u>	

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aging analysis of overdue accounts receivable were as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Overdue 1~30 days	\$ -	1,877	28,719
Overdue 31~60 days	-	2,236	3,974
Overdue 61~90 days	6,778	-	347
Overdue 91~180 days	-	31,880	-
Overdue 181~270 days	18,582	3,854	-
Overdue 360 days	-	25,963	43,009
	<u>\$ 25,360</u>	<u>65,810</u>	<u>76,049</u>

The movements of allowance for accounts receivable were as follows:

	For the six months ended June 30,	
	2025	2024
Balance at January 1	\$ 26,229	26,841
Impairment loss reversed	(1,894)	(666)
Write-off of bad debt allowance	(24,186)	-
Balance at June 30	<u>\$ 149</u>	<u>26,175</u>

As of June 30, 2025, December 31 and June 30, 2024, the Group did not provide any aforementioned accounts receivable as collaterals.

(d) Other receivables

	June 30, 2025	December 31, 2024	June 30, 2024
Other receivables	\$ 808	19,610	40,679
Less: loss allowance	-	(62)	(61)
	<u>\$ 808</u>	<u>19,548</u>	<u>40,618</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The aging analysis of overdue other receivables were as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Overdue 1~30 days	\$ -	-	932
Overdue 31~60 days	-	21	-
Overdue 91~180 days	-	-	689
Overdue 181~270 days	-	696	-
	<u>\$ -</u>	<u>717</u>	<u>1,621</u>

The movements of allowance for other receivables were as follows:

	For the six months ended June 30,	
	2025	2024
Balance at January 1	\$ 62	58
Impairment loss (reversed) recognized	(62)	3
Balance at June 30	<u>\$ -</u>	<u>61</u>

As of June 30, 2025, December 31 and June 30, 2024, the Group did not provide any aforementioned other receivables as collaterals.

(e) Inventories

(i) The details of the Group's inventories were as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Raw materials	\$ 434,783	506,529	596,916
Work in progress and semi-finished goods	1,410	1,204	1,082
Merchandise	13,813	19,445	7,240
	<u>\$ 450,006</u>	<u>527,178</u>	<u>605,238</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) Inventory cost recognized as operating costs were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Cost of sales and expenses	\$ 94,916	169,619	204,521	352,631
Provision for inventory valuation and obsolescence loss	1,000	403	1,000	403
	<u>\$ 95,916</u>	<u>170,022</u>	<u>205,521</u>	<u>353,034</u>

- (iii) As of June 30, 2025, December 31 and June 30, 2024, the Group did not provide any inventories as collaterals.

- (f) Investments accounted for using equity method

- (i) The Group's equity-accounted associates that are individually insignificant and the Group's share of the financial information are summarized as below:

	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
The carrying amount of individually insignificant associates equity	<u>\$ 5,784</u>	<u>6,784</u>	<u>8,761</u>
	<u>For the three months ended June 30,</u>	<u>For the six months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>
			<u>2024</u>
Attributable to the Group:			
Net loss from continuing operations	<u>\$ (403)</u>	<u>(747)</u>	<u>(1,000)</u>
Total comprehensive loss	<u>\$ (403)</u>	<u>(747)</u>	<u>(1,000)</u>

- (ii) As of June 30, 2025, December 31 and June 30, 2024, the Group did not provide any investment accounted for using equity method as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(g) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group for the six months ended June 30, 2025 and 2024 were as follows:

	<u>Research equipment</u>	<u>Mold equipment</u>	<u>Machinery and equipment</u>	<u>Lease improvement and others</u>	<u>Total</u>
Cost or deemed cost:					
Balance at January 1, 2025	\$ 376,121	24,225	1,650	68,184	470,180
Additions	14,345	2,027	-	1,525	17,897
Disposals	<u>(768)</u>	<u>-</u>	<u>-</u>	<u>(195)</u>	<u>(963)</u>
Balance at June 30, 2025	<u>\$ 389,698</u>	<u>26,252</u>	<u>1,650</u>	<u>69,514</u>	<u>487,114</u>
Balance at January 1, 2024	\$ 450,100	22,587	7,259	103,179	583,125
Additions	<u>986</u>	<u>1,986</u>	<u>-</u>	<u>-</u>	<u>2,972</u>
Balance at June 30, 2024	<u>\$ 451,086</u>	<u>24,573</u>	<u>7,259</u>	<u>103,179</u>	<u>586,097</u>
Depreciation:					
Balance at January 1, 2025	\$ 276,592	18,813	1,305	48,950	345,660
Depreciation	19,234	1,774	92	3,647	24,747
Disposals	<u>(768)</u>	<u>-</u>	<u>-</u>	<u>(195)</u>	<u>(963)</u>
Balance at June 30, 2025	<u>\$ 295,058</u>	<u>20,587</u>	<u>1,397</u>	<u>52,402</u>	<u>369,444</u>
Balance at January 1, 2024	\$ 335,978	15,723	6,644	65,202	423,547
Depreciation	<u>15,950</u>	<u>1,642</u>	<u>136</u>	<u>5,187</u>	<u>22,915</u>
Balance at June 30, 2024	<u>\$ 351,928</u>	<u>17,365</u>	<u>6,780</u>	<u>70,389</u>	<u>446,462</u>
Carrying amounts:					
Balance at January 1, 2025	<u>\$ 99,529</u>	<u>5,412</u>	<u>345</u>	<u>19,234</u>	<u>124,520</u>
Balance at June 30, 2025	<u>\$ 94,640</u>	<u>5,665</u>	<u>253</u>	<u>17,112</u>	<u>117,670</u>
Balance at January 1, 2024	<u>\$ 114,122</u>	<u>6,864</u>	<u>615</u>	<u>37,977</u>	<u>159,578</u>
Balance at June 30, 2024	<u>\$ 99,158</u>	<u>7,208</u>	<u>479</u>	<u>32,790</u>	<u>139,635</u>

As of June 30, 2025, December 31 and June 30, 2024, the Group did not provide any property, plant and equipment as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Right-of-use assets

The Group leases buildings and vehicles. Information about leases for which the Group has been a lessee is presented as below:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
Cost:			
Balance at January 1, 2025	\$ 118,479	2,151	120,630
Additions	-	1,590	1,590
Disposals	<u>(59,928)</u>	<u>-</u>	<u>(59,928)</u>
Balance at June 30, 2025	<u>\$ 58,551</u>	<u>3,741</u>	<u>62,292</u>
Balance at January 1, 2024	\$ 119,916	6,457	126,373
Disposals	<u>-</u>	<u>(4,306)</u>	<u>(4,306)</u>
Balance at June 30, 2024	<u>\$ 119,916</u>	<u>2,151</u>	<u>122,067</u>
Depreciation:			
Balance at January 1, 2025	\$ 80,177	538	80,715
Depreciation	3,351	313	3,664
Disposals	<u>(40,057)</u>	<u>-</u>	<u>(40,057)</u>
Balance at June 30, 2025	<u>\$ 43,471</u>	<u>851</u>	<u>44,322</u>
Balance at January 1, 2024	\$ 67,744	3,474	71,218
Depreciation	6,729	710	7,439
Disposals	<u>-</u>	<u>(3,914)</u>	<u>(3,914)</u>
Balance at June 30, 2024	<u>\$ 74,473</u>	<u>270</u>	<u>74,743</u>
Carrying amount:			
Balance at January 1, 2025	<u>\$ 38,302</u>	<u>1,613</u>	<u>39,915</u>
Balance at June 30, 2025	<u>\$ 15,080</u>	<u>2,890</u>	<u>17,970</u>
Balance at January 1, 2024	<u>\$ 52,172</u>	<u>2,983</u>	<u>55,155</u>
Balance at June 30, 2024	<u>\$ 45,443</u>	<u>1,881</u>	<u>47,324</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) Intangible Assets

The cost and accumulated amortization of intangible assets of the Group for the six months ended June 30, 2025 and 2024 were as follows:

	Computer software
Cost:	
Balance at January 1, 2025	\$ 3,164
Additions	184
Disposals	<u>(1,582)</u>
Balance at June 30, 2025	<u>\$ 1,766</u>
Balance at January 1, 2024	\$ 3,099
Additions	1,204
Disposals	<u>(1,917)</u>
Balance at June 30, 2024	<u>\$ 2,386</u>
Amortization:	
Balance at January 1, 2025	\$ 1,192
Amortization	934
Disposals	<u>(1,582)</u>
Balance at June 30, 2025	<u>\$ 544</u>
Balance at January 1, 2024	\$ 2,441
Amortization	631
Disposals	<u>(1,917)</u>
Balance at June 30, 2024	<u>\$ 1,155</u>
Carrying amount:	
Balance at January 1, 2025	<u>\$ 1,972</u>
Balance at June 30, 2025	<u>\$ 1,222</u>
Balance at January 1, 2024	<u>\$ 658</u>
Balance at June 30, 2024	<u>\$ 1,231</u>

As of June 30, 2025, December 31 and June 30, 2024, the Group did not provide any intangible assets as collaterals.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Provisions

	Warranty Provisions
Balance at January 1, 2025	\$ 84,086
Provisions made during the period	2,243
Provisions reversed during the period	(1,605)
Provisions used during the period	<u>(4,741)</u>
Balance at June 30, 2025	<u>\$ 79,983</u>
Balance at January 1, 2024	\$ 80,598
Provisions made during the period	4,054
Provisions reversed during the period	(1,794)
Provisions used during the period	<u>(1,406)</u>
Balance at June 30, 2024	<u>\$ 81,452</u>

The Group's provision for the warranty was for products sold. Provision for warranty and the after-service cost was estimated based on the historical warranty information for customer services. The Group expected the aforementioned provisions would occur within a year after-sales.

(k) Lease liabilities

The details of lease liabilities were as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Current	<u>\$ 7,845</u>	<u>13,928</u>	<u>14,025</u>
Non-current	<u>\$ 10,427</u>	<u>26,683</u>	<u>33,988</u>

For the maturity analysis, please refer to note (6)(t).

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Interest expense on lease liabilities	<u>\$ 90</u>	<u>141</u>	<u>182</u>	<u>294</u>
Expenses relating to short-term leases	<u>\$ 6</u>	<u>45</u>	<u>13</u>	<u>91</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 19</u>	<u>26</u>	<u>37</u>	<u>52</u>

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The amounts recognized in the statement of cash flows by the Group were as follows:

	For the six months ended June 30	
	2025	2024
Total cash outflow for leases	\$ 3,928	7,753

The Group leases buildings, parking spaces, and transportation equipment, which typically run for 1 to 5 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

The Group also leases other equipment and parking spaces with contract terms of 1 to 5 years. These leases are short-term or leases of low-value items. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

(l) Employee benefits - Defined contribution plans

The pension expenses of the Group under the pension plan contributed to the Bureau of Labor Insurance for the three months and six months ended June 30, 2025 and 2024 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Selling expenses	\$ 242	314	498	597
Administration expenses	223	242	453	525
Research and development expenses	691	970	1,397	2,157
	\$ 1,156	1,526	2,348	3,279

(m) Income taxes

(i) Income tax expenses for the period are the best estimated by multiplying pre-tax income (loss) for the interim reporting period using the effective annual tax rate as forecasted by the management. The amount of income tax expenses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Current tax expense	\$ -	-	-	-

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (ii) The amounts of income tax (benefit) expenses recognized in other comprehensive income were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Items that might be reclassified subsequently to profit or loss:				
Foreign currency translation differences of foreign operations	\$	(105)	16	14
				38

- (iii) The R.O.C. tax authorities have examined the income tax returns of the Company through 2023.

(n) Capital and other equities

Except for the following disclosures, there was no significant change for capital and other equities for the periods from January 1 to June 30, 2025 and 2024. Please refer to note (6)(n) of the 2024 annual consolidated financial statements for other related information.

(i) Ordinary shares

Reconciliation of shares outstanding for the six months ended June 30, 2025 and 2024 were as follow:

	Unit: in thousands of shares	
	For the six months ended June 30,	
	Ordinary shares	
	2025	2024
Balance at January 1	67,336	67,638
Issuance of employee restricted shares	1,500	-
Cancellation of employee restricted shares	-	(302)
Balance at June 30	68,836	67,336

The Company issued restricted stock awards (RSAs) for employees amounting to \$15,000 for the six months ended June 30, 2025. The base date of the share issuance was May 28, 2025 and the registration process had been completed on July 14, 2025.

For the six months ended June 30, 2024, share capital of \$3,024 was canceled, resulting in a reduction of \$6,260 in capital surplus, as certain employees who had been granted restricted stock awards issued in 2021 failed to meet the vesting conditions. The registration had been completed.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balance of capital surplus were as follows:

	June 30, 2025	December 31, 2024	June 30, 2024
Additional paid in capital premium	\$ 305,603	318,043	318,043
Employee share options	-	48,101	48,101
Issuance of employee restricted shares	14,400	-	306
Changes in equity of associates accounted for using equity method	-	315	-
	<u>\$ 320,003</u>	<u>366,459</u>	<u>366,450</u>

On June 23, 2025, the shareholders' meeting resolved to use capital surplus of \$60,856 to offset the accumulated losses.

(iii) Retained earnings

According to the Company's Articles of Incorporation, the Company's annual net profit, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof until the accumulated balance of legal reserve equals the total issued capital and any special reserves pursuant to relevant laws and regulations. The remainder, plus the undistributed earnings of the previous years, are distributed or left undistributed for business purposes according to the resolution of the shareholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the annual stockholders' meeting. However, if earnings per share of the current year do not exceed a dollar, the earnings shall not be distributed.

The Company authorizes the Board of Directors with two-thirds or more of the directors present, and the consent of more than of the directors present at the meeting, to distribute all or part of the dividends and bonuses, capital surplus or legal reserve to shareholders in cash, and report such distribution to the stockholders' meeting.

The Company is in its growth phase. The Company's dividend policy prioritizes the operating environment, performance, and financial structure. The stock dividends shall be distributed at least 10% to the shareholders. However, the Board may adjust the proportion based on the current operating conditions and submitted to the shareholders' meeting for approval. The distribution ratio for cash dividends to shareholders should not be less than 10% of the total dividend distribution.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Earnings distributed (Accumulated deficit offsetting)

The Company suffered accumulated losses for the years ended 2024 and 2023. On March 11, 2025, and March 8, 2024, respectively, the Board of Directors resolved not to distribute dividends.

On June 23, 2025, the shareholders' meeting resolved to use special reserve of \$588, legal reserve of \$104,494 to offset the accumulated losses.

On June 24, 2024, the shareholders' meeting resolved to use legal reserve of \$42,516 to offset the accumulated losses.

(o) Share based payment

On October 30, 2024, as resolved by the shareholders' extraordinary meeting, the Company issued 1,500 thousand shares of restricted stock awards ("RSAs") to employees. The issuance was made without consideration and was limited to full-time employees of the Company who met certain eligibility requirements and were employed as of the grant date. The issuance had been approved and declared effective by the Financial Supervisory Commission.

Of the total RSA issued, 1,000 thousand shares will vest in tranches of 40%, 30% and 30% upon completion of one, two and three years of continued employment, respectively, provided that the grantees remain employed and meet the performance requirements set by the Company.

The remaining 500 thousand shares will vest in tranches of 40%, 30% and 30% upon completion of one, two and three years of continued employment, respectively, provided that:

(i) The Company's consolidated revenue, as audited by independent accountants, for the most recent fiscal year during the vesting period has increased by at least 20% compared to the average consolidated revenue of the preceding two years and resulted in a net profit, and

(ii) The grantees remain employed and meet the Company's performance requirements.

Before vesting, all restricted shares are required to be deposited in a trust designated by the Company and may not be sold, pledged, transferred, gifted or otherwise disposed of, except by inheritance. Prior to vesting, shareholder rights attached to the shares are exercised by the designated trustee. Any shares for which the vesting conditions are not satisfied will be forfeited and canceled by the Company without compensation.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The information of the Company's employee restricted shares is as follows:

Unit: in thousands of shares

	For the six months ended June 30, 2025
Outstanding shares on January 1	-
Shares granted during the period	<u>1,500</u>
Outstanding shares on June 30	<u><u>1,500</u></u>

The fair value of the aforementioned employee restricted shares was measured at \$19.60 per share, being the closing price of the Company's common shares on May 28, 2025, the grant date. Accordingly, capital surplus – issuance of employee restricted shares of \$14,400 was recognized. As of June 30, 2025, the unearned employee benefit amounted to \$27,808.

For the six months ended June 30, 2025, the Company recognized compensation cost of \$1,592 in relation to the restricted stock awards.

(p) Loss per share

The Group's basic and diluted loss per share are calculated as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Basic loss per share				
Loss attributable to ordinary shareholders of the Company	\$ (29,597)	(22,804)	(52,886)	(63,646)
Weighted-average number of outstanding ordinary shares (in thousands)	<u>67,336</u>	<u>67,336</u>	<u>67,336</u>	<u>67,336</u>
Basic loss per share (dollars)	\$ <u>(0.44)</u>	<u>(0.34)</u>	<u>(0.79)</u>	<u>(0.95)</u>
Diluted loss per share				
Weighted-average number of outstanding ordinary shares (after adjustment of potential diluted ordinary shares) (in thousands)	<u>67,336</u>	<u>67,336</u>	<u>67,336</u>	<u>67,336</u>
Diluted loss per share (dollars)	\$ <u>(0.44)</u>	<u>(0.34)</u>	<u>(0.79)</u>	<u>(0.95)</u>

For the three months and six months ended June 30, 2025 and 2024, due to net losses after tax, all potential ordinary shares were anti-dilutive and thus excluded from the computation of diluted loss per share.

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(q) Revenue from contracts with customers

(i) Details of revenue

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Primary geographical markets:				
America	\$ 81,003	64,494	180,121	105,921
Taiwan	49,606	43,207	77,597	97,739
Germany	-	-	13,964	51,212
others	13,998	96,254	42,669	174,542
	\$ 144,607	203,955	314,351	429,414
Major products:				
Communication network products	\$ 96,057	174,254	210,340	354,275
Material sales revenue and others	48,550	29,701	104,011	75,139
	\$ 144,607	203,955	314,351	429,414

(ii) Contract balances

	June 30, 2025	December 31, 2024	June 30, 2024
Accounts receivable	\$ 119,326	222,414	277,241
Less: loss allowance	(149)	(26,229)	(26,175)
	\$ 119,177	196,185	251,066
Contract liabilities	\$ 43,536	26,339	1,846

For the details on accounts receivable and loss allowance, please refer to note (6)(c).

The amount of revenue recognized for the three months and six months ended June 30, 2025 and 2024 that were included in the balance of contract liabilities at the beginning of the period were \$26,339, \$0, \$26,339 and \$0, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Remuneration to employees and directors

Pursuant to the resolution approved at the shareholders' meeting on June 23, 2025, the Company amended its Articles of Incorporation. According to the amended Articles, the Company shall distribute employees' remuneration at a rate of not less than 5% of the current year's profitability, of which not less than 5% shall be allocated to frontline employees; and directors' remuneration shall be distributed at a rate of not more than 2% of the current year's profitability. However, if the Company has accumulated losses, the Company shall make up for them. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees serve in the controlled and affiliated companies who meet certain specific requirements.

Before the amendment, the Articles of Incorporation provided that the Company shall distribute employees' remuneration at a rate of not less than 5% of the current year's profitability and directors' remuneration at a rate of not more than 2% of the current year's profitability, however, if the Company has accumulated losses, the Company shall make up for them. Employees who are entitled to receive the above-mentioned employee remuneration, in share or cash, include the employees serve in the controlled and affiliated companies who meet certain specific requirements.

The Company did not estimate employee remuneration and directors' remuneration due to loss before income tax for the six months ended June 30, 2025 and 2024.

The Company did not disburse employee remuneration and directors' remuneration due to loss before income tax for the years ended December 31, 2024 and 2023.

(s) Other profits and losses

The other profits and losses of the Group for the three months and six months ended June 30, 2025 and 2024 were as follow:

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Foreign currency exchange gain, net \$	806	1,532	3,747	8,718
Gains (losses) on financial assets (liabilities) at fair value through profit or loss, net	5,341	(658)	5,193	(5,788)
Profit from lease modification	-	91	362	91
Others	-	(172)	(3,405)	(172)
	<u>\$ 6,147</u>	<u>793</u>	<u>5,897</u>	<u>2,849</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(t) Financial instruments

Except for those described below, there were no significant changes on fair value, credit risk, liquidity risk and market risk of financial instruments. Please refer to note (6)(t) of the 2024 annual consolidated financial statements for related information.

(i) Credit risk

1) Credit risk

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Sales to individual customers constituting over 10% of total revenue for the three months and six months ended June 30, 2025 and 2024, amounted to \$102,395, \$127,514, \$217,504 and \$315,070, accounting for 71%, 63%, 69% and 73% of the operating revenue, respectively. The carrying amounts of the accounts receivable as of June 30, 2025 and 2024 amounted to \$67,903 and \$157,127, respectively. In order to reduce credit risk, the Group continuously assesses the financial status of the customers.

3) Accounts receivable credit risk

For credit risk exposure of accounts receivables, please refer to note (6)(c) and credit risk exposure of other receivables, please refer to note (6)(d).

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
June 30, 2025					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 144,636	(144,636)	(144,636)	-	-
Other payables (including related parties)	72,666	(72,666)	(72,666)	-	-
Lease liabilities (including current and non-current)	18,272	(18,690)	(8,123)	(8,123)	(2,444)
	<u>\$ 235,574</u>	<u>(235,992)</u>	<u>(225,425)</u>	<u>(8,123)</u>	<u>(2,444)</u>
December 31, 2024					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 338,276	(338,276)	(338,276)	-	-
Other payables (including related parties)	75,753	(75,753)	(75,753)	-	-
Lease liabilities (including current and non-current)	40,611	(41,495)	(14,432)	(14,432)	(12,631)
	<u>\$ 454,640</u>	<u>(455,524)</u>	<u>(428,461)</u>	<u>(14,432)</u>	<u>(12,631)</u>
June 30, 2024					
Non derivative financial liabilities					
Accounts payable (including related parties)	\$ 480,838	(480,838)	(480,838)	-	-
Other payables (including related parties)	72,685	(72,685)	(72,685)	-	-
Lease liabilities (including current and non-current)	48,013	(48,951)	(14,491)	(14,491)	(19,969)
Derivative financial liabilities					
Swap contracts:	187				
Outflow		(30,828)	(30,828)	-	-
Inflow		30,612	30,612	-	-
	<u>\$ 601,723</u>	<u>(602,690)</u>	<u>(568,230)</u>	<u>(14,491)</u>	<u>(19,969)</u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to financial assets and liabilities for foreign currency risk were as follows:

Unit: thousands of foreign currency

	June 30, 2025			December 31, 2024			June 30, 2024		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	\$	2,933 USD/TWD =29.3	85,937	11,306 USD/TWD =32.785	370,667		15,086 USD/TWD =32.45		489,541
EUR		810 EUR/TWD =34.35	27,824	1,309 EUR/TWD =34.14	44,689		1,577 EUR/TWD =34.71		54,738
Financial liabilities									
Monetary items									
USD		3,280 USD/TWD =29.3	96,104	10,438 USD/TWD =32.785	342,210		14,602 USD/TWD =32.45		473,835

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other receivables, accounts payable (including related parties) and other payables that are denominated in foreign currency. The analysis assumes that all other variables remain constant. A strengthening (weakening) 5% of each foreign currency against the functional currency on June 30, 2025 and 2024 would have affected the net loss before tax as follows. The analysis is performed on the same basis for both periods:

	June 30, 2025	June 30, 2024
USD (against the TWD)		
Strengthening 5%	\$ (508)	785
Weakening 5%	508	(785)
EUR (against the TWD)		
Strengthening 5%	1,391	2,737
Weakening 5%	(1,391)	(2,737)

(Continued)

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2025 and 2024, the net foreign exchange gain (including realized and unrealized portions) amounted to \$806, \$1,532, \$3,747 and \$8,718, respectively.

(iv) Interest rate analysis

The Group's risk exposure to financial assets and liabilities for interest rate has been disclosed in the note of liquidity risk management.

The following sensitivity analysis is based on the risk exposure to interest rate for the derivative and non-derivative financial instruments on the reporting date. Regarding the assets and liabilities with variable interest rates, the analysis is on the basis of the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the whole year. The rate of change is expressed as the interest rate increase or decrease by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, assuming all other variables remaining constant, the net loss before tax would have decreased or increased by \$85 and \$179 for the six months ended June 30, 2025 and 2024, respectively, which would be mainly resulted from the bank deposits with variable interest rates.

(v) Fair value

1) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows. However, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, disclosure of fair value information is not required.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2025					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets mandatorily measured at fair value through profit or loss	\$ 1,521	-	1,521	-	1,521
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 487,833	-	-	-	-
Accounts receivable, net	119,177	-	-	-	-
Other receivables, net	808	-	-	-	-
Other non-current asset (refundable deposits)	1,890	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Subtotal	610,208	-	-	-	-
Total	<u>\$ 611,729</u>				
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 144,636	-	-	-	-
Other payables (including related parties)	72,666	-	-	-	-
Lease liabilities—current and non-current	18,272	-	-	-	-
Total	<u>\$ 235,574</u>				
December 31, 2024					
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 520,103	-	-	-	-
Accounts receivable, net	196,185	-	-	-	-
Other receivables, net	19,548	-	-	-	-
Other non-current asset (refundable deposits)	3,841	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	500	-	-	-	-
Total	<u>\$ 740,177</u>				

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		December 31, 2024			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 338,276	-	-	-	-
Other payables (including related parties)	75,753	-	-	-	-
Lease liabilities—current and non-current	<u>40,611</u>	-	-	-	-
Total	<u>\$ 454,640</u>				
		June 30, 2024			
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 558,831	-	-	-	-
Accounts receivable, net	251,066	-	-	-	-
Other receivables, net	40,618	-	-	-	-
Other non-current asset (refundable deposits)	3,701	-	-	-	-
Other non-current asset (Pledged certificate of deposits)	<u>500</u>	-	-	-	-
Total	<u>\$ 854,716</u>				
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ <u>187</u>	-	187	-	187
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 480,838	-	-	-	-
Other payables (including related parties)	72,685	-	-	-	-
Lease liabilities—current and non-current	<u>48,013</u>	-	-	-	-
Subtotal	<u>601,536</u>	-	-	-	-
Total	<u>\$ 601,723</u>				

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Valuation techniques for financial instruments not measured at fair value

The Group's estimates financial instruments that not measured at fair value by methods and assumptions as follows:

a) Financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the most recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

3) Valuation technique for financial instruments measured at fair value

a) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward contracts is usually determined by using the forward currency rate.

4) There were no transfers from one level to another for the six months ended June 30, 2025 and 2024.

(u) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(u) of the consolidated financial statements for the year ended December 31, 2024.

(v) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2024. Also, management believes that there were no significant changes in the Group's capital management quantified information as disclosed for the year ended December 31, 2024. Please refer to note (6)(v) of the consolidated financial statements for the year ended December 31, 2024 for further details.

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(w) Investing and financing activities not affecting cash flow

The Group's investing and financing activities which did not affect the cash flow for the six months ended June 30, 2025 and 2024 were as the acquisition of right of use assets by lease, please see notes (6)(h).

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2025	Cash flows	Non-cash changes		June 30, 2025
			Acquisition	Disposal	
Lease liabilities	\$ 40,611	(3,696)	1,590	(20,233)	18,272

	January 1, 2024	Cash flows	Non-cash changes		June 30, 2024
			Acquisition	Disposal	
Lease liabilities	\$ 55,812	(7,316)	-	(483)	48,013

(7) Related-party transactions

(a) Parent company and ultimate controlling party

Compal Electronics, Inc. is the parent company of the consolidated entity but also the ultimate controlling party of the Group. Compal Electronics, Inc. has issued the consolidated financial statements available for public use.

(b) Names and relationship with related parties

The followings are entities that have had transactions with related parties during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Compal Electronics, Inc ("Compal Electronics")	Parent company
Compal Display Electronics (Kunshan) Co., Ltd. ("CDE")	The subsidiary of parent company
Compal (Vietnam) Co., Ltd. ("CVC")	The subsidiary of parent company
Kinpo Group Management Service Company ("Kinpo")	The associate of parent company
Starmems Semiconductor Corp. ("Starmems")	An associate

(c) Significant transactions with related parties

(i) Purchases and processing fee

	For the three months ended June 30,		For the six months ended June 30,	
	2025	2024	2025	2024
Parent Company- Compal Electronics	\$ 6,473	5,673	14,456	49,857

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The terms and pricing of purchase transactions with related parties, with payment terms ranging from 90~120 days, were not significantly different from those offered by other vendors.

The Group sold raw materials to its related parties for processing purposes, wherein the related sales income and costs have been eliminated in the financial statements and were not treated as sales of raw materials and purchases of finished goods. For the raw materials sold and processed, the uncollected amounts are recorded under other receivables, whereas for the raw materials that have not been processed, the collected amounts are recorded under other payables.

(ii) Other expenditures

Parent company and other related parties provided software updated services (the provisions were eliminated in the financial statements), professional services and other expenditures for the Group, and the related expenses were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Parent Company- Compal Electronics	\$ 402	18,826	751	24,630
Other related parties	25	25	50	50
	<u>\$ 427</u>	<u>18,851</u>	<u>801</u>	<u>24,680</u>

(iii) Rental income

The Group leases office space and machinery equipment to the associates. Rental agreements are signed based on the prevailing rental rates in neighboring areas and rental is collected on a monthly basis. For the three months and six months ended June 30, 2025 and 2024, the rent revenue amounted to \$389, \$656, \$779 and \$1,312, respectively.

(iv) Receivables from related parties

The receivables arising from the transactions mentioned above and payment on behalf of related parties were as follows:

Account	Related party categories	June 30, 2025	December 31, 2024	June 30, 2024
Other receivables	Other related parties-CVC	\$ -	\$ 18,705	39,642
	Associate	281	266	425
		<u>\$ 281</u>	<u>18,971</u>	<u>40,067</u>

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Payables to related parties

The payables arising from the transactions mentioned above and payment on behalf of the Group were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Accounts payable	Parent Company-Compal Electronics	\$ 78,778	223,168	224,833
Other payables	Other related parties-CDE	33,421	33,421	34,024
Other payables	Other related parties-CVC	7,802	-	-
Other payables	Other related parties	26	26	26
		<u>\$ 120,027</u>	<u>256,615</u>	<u>258,883</u>

(d) Transactions with key management personnel

Key management personnel compensation comprised:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Short-term employee benefits	\$ 7,394	5,009	12,852	14,624
Post-employment benefits	239	240	455	481
Share-based payments	-	(3,866)	-	(3,434)
	<u>\$ 7,633</u>	<u>1,383</u>	<u>13,307</u>	<u>11,671</u>

There are no termination benefits and other long-term benefits. Please refer to note (6)(o) for explanations related to share-based payments.

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>June 30, 2025</u>	<u>December 31, 2024</u>	<u>June 30, 2024</u>
Other non-current assets-restricted asset-time deposit	Guarantee payment for import VAT	\$ 500	500	500

(9) Significant commitments and contingencies:

As of June 30, 2025, the Group has signed technical service agreements with an unrecognized amount of USD 3,000 (approximately \$87,900).

(10) Losses due to major disasters: None

(11) Subsequent events: None

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COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Other:

- (a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By item	By function	For the three months ended June 30					
		2025			2024		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		-	34,005	34,005	-	19,054	19,054
Labor and health insurance		-	2,200	2,200	-	2,811	2,811
Pension		-	1,156	1,156	-	1,526	1,526
Others		-	747	747	-	1,049	1,049
Depreciation		1,243	13,130	14,373	1,270	13,863	15,133
Amortization		-	403	403	-	294	294

By item	By function	For the six months ended June 30					
		2025			2024		
		Cost of sale	Operating expense	Total	Cost of sale	Operating expense	Total
Employee benefits							
Salary		-	67,669	67,669	-	59,963	59,963
Labor and health insurance		-	4,675	4,675	-	6,479	6,479
Pension		-	2,348	2,348	-	3,279	3,279
Others		-	1,529	1,529	-	2,285	2,285
Depreciation		2,399	26,012	28,411	2,540	27,814	30,354
Amortization		-	934	934	-	631	631

(13) Other disclosures:

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the six months ended June 30, 2025:

- (i) Loans to other parties: None
- (ii) Guarantees and endorsements for other parties: None
- (iii) Securities held as of June 30, 2025 (excluding investment in subsidiaries, associates and joint ventures): None
- (iv) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

COMPAL BROADBAND NETWORKS, INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

(vi) Business relationships and significant intercompany transactions: None

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2025 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2025			Net income (losses) of investee	Investment Income (losses)	Note
				June 30, 2025	December 31, 2024	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	CBNB	Belgium	Import, export, technical support, and consulting services for broadband network products and related components	6,842	6,842	20	100%	4,843	(168)	(168)	Notes 1 - 2
The Company	CBNN	Netherlands	"	7,016	7,016	20	100%	6,180	(109)	(109)	"
The Company	Starmems	Taiwan	Research and development of micro-electro-mechanical system (MEMS) microphone technology products	16,300	16,300	1,630	9.59%	5,784	(10,428)	(1,000)	The company of investments accounted for using equity method

Note 1: Except for the current period profit or loss of the investee, which was translated into NTD using the average exchange rate (EUR@34.48), all other items were translated using the closing exchange rate as of the reporting date (EUR@34.35).

Note 2: The transaction had been eliminated in the consolidated financial statements.

(c) Information on investment in mainland China: None

(14) Segment information:

The Group has one reportable segment, mainly engaged in researching, developing, and selling communications products such as intelligent gateways, digital set-top boxes, and wireless broadband share devices. Please refer to the balance sheet and the statement of comprehensive income for details of departmental profit and loss, departmental assets, and departmental liability in line with the financial statements.